
CMS
Council
CMS
ANNUAL REPORT
2023|24

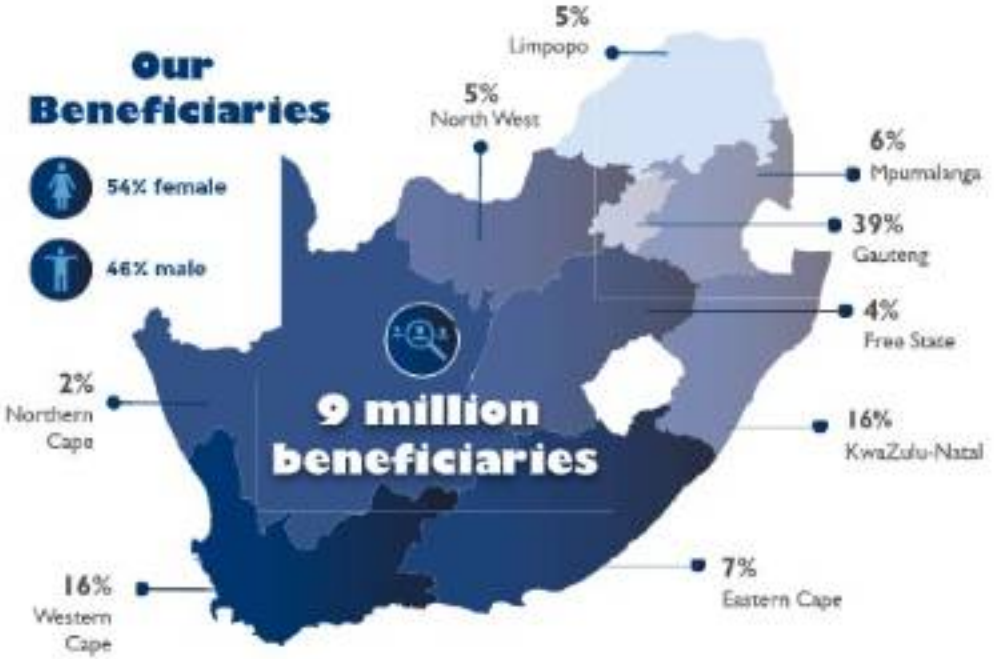
ANNUAL REPORT
2023/24

YEAR 2023/2024 AT A GLANCE

Our Beneficiaries

54% female

46% male



86%
Overall performance

To protect the public and inform them about their rights, obligations and other matters concerning medical schemes

Regulated Entities

71 Medical Schemes 16 Open | 55 Closed

34 Administrators

42 Managed Care Organisations

7 718 Healthcare Brokers

2 193 Healthcare Brokerages

Protecting

72 Consumer education sessions

5 PMB definition guidelines

10 CMScript newsletters

22 467 Customer care calls

Ensuring that all entities conducting the business of medical schemes, and other regulated entities, comply with the Medical Schemes Act

Governance

- 57 Circulars
- 2 Board of Trustee training sessions
- 2 Broker training sessions
- 1 Scheme-specific training sessions
- 1 Trustee programme with GIBS

Industry Perfomance

- R218bn Benefits paid
- R232bn Contributions paid
- R108bn Non-health expenditure
- R110bn Reserves
- R40bn Out-Of-Pocket (OOP)
- 47.21% Solvency

Regulation

- 50 Enforcement actions
- 40 Annual General Meetings observed
- 10 Physical routine inspections

- 2 PO & BoT forums
- 9 Engagements
- 22 Memoranda of Understanding (MoUs)

Ensuring collaboration with other stakeholders in executing its regulatory mandate

125
Employees

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

Complaints

- 2 550 Complaints investigated
- 2 178 Complaints resolved
- 18 042 Email enquiries
- 212 Registrars Rulings

Clinical Opinions

- 881 Clinical Enquiries
- 480 Clinical Opinions

Informing

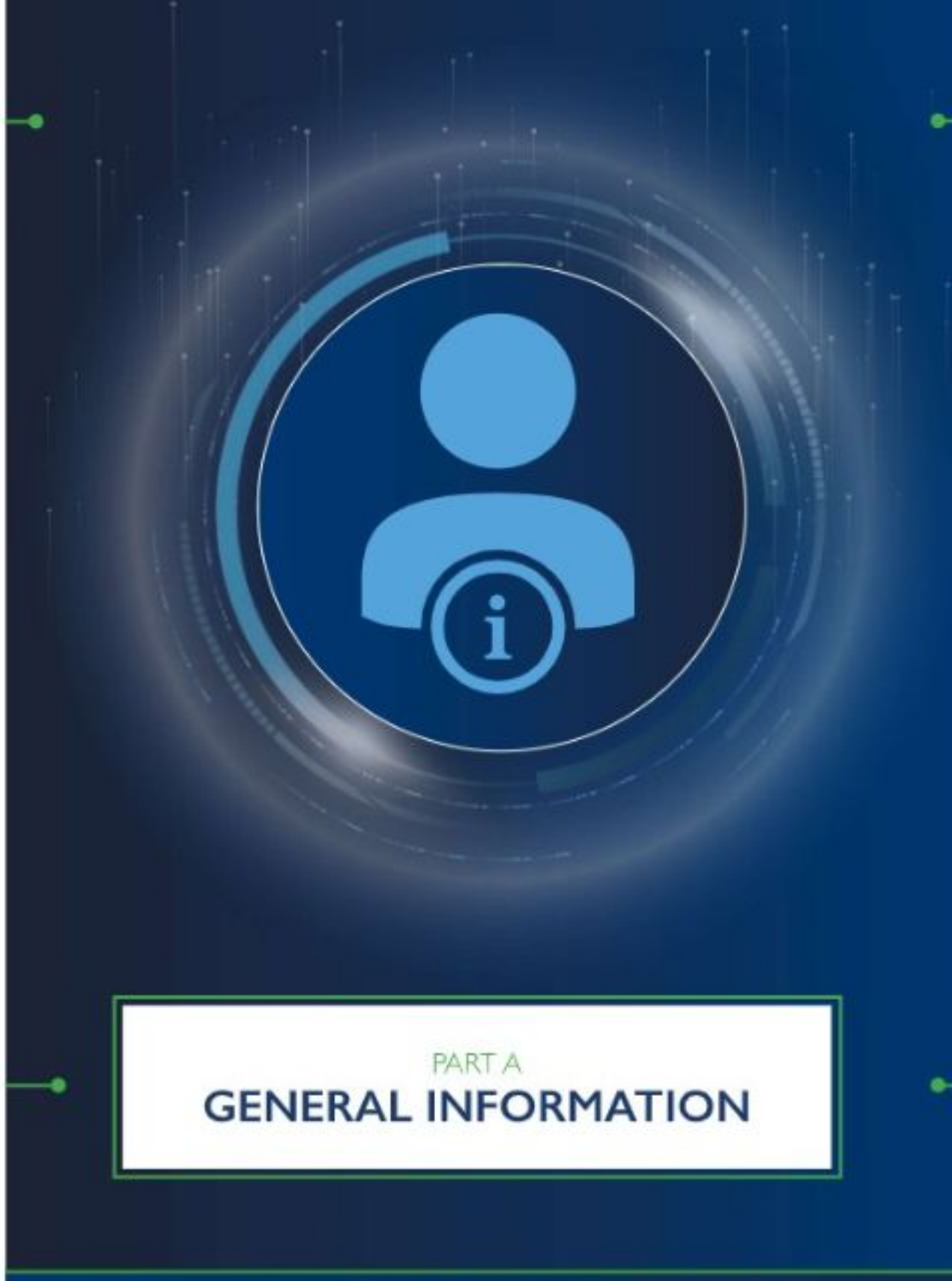
- 51 Stakeholder awareness activities
- 16 Media interviews
- 21 Press releases

Appeals

- 9 Appeal Board Rulings
- 44 Appeals Committee Rulings

CONTENTS

LIST OF TABLES



PART A

GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME	Council for Medical Schemes
PHYSICAL ADDRESS	Block A, Eco Glades 2 Office Park 420 Witch – Hazel Avenue Eco Park Centurion Pretoria, 0157 South Africa
POSTAL ADDRESS	Private Bag X34 Hatfield Pretoria, 0028 South Africa
TELEPHONE NUMBER/S	012 431 0500
CUSTOMER CARE CENTRE	0861 123 267 (0861 123 CMS)
FAX NUMBER	0862 069 260
EMAIL ADDRESS	information@medicalschemes.co.za
WEBSITE ADDRESS	medicalschemes.co.za
SOCIAL MEDIA	Facebook: Council for Medical Schemes X/Twitter: @CMScares4U LinkedIn: Council for Medical Schemes YouTube: CMScares4U
INTERNAL AUDITORS	Lumko Inc
EXTERNAL AUDITORS	Auditor-General of South Africa
BANKERS	Absa Group Limited
CHAIRPERSON	Dr Thandi Mabeba
CHIEF EXECUTIVE AND REGISTRAR	Dr Sipho Kabane
COMPANY/ BOARD SECRETARY	Mr Khayalethu Mvulo

2. LIST OF **ABBREVIATIONS/ACRONYMS**

ARC	Audit and Risk Committee
AVE	Advertising Value Equivalent
B-BBEE	Broad-Based Black Economic Empowerment
BHF	Board of Healthcare Funders
BoTs	Board of Trustees
CDL	Chronic Disease List
CMS	Council for Medical Schemes
COVID-19	Coronavirus Disease 2019
CPF	Consumer Protection Forum
DDDR	Dynamic Data Driven Return
DES	Demarcation Exemption System
DMP	Disease Management Programme
DRC	Dispute Resolution Committee
DRSaaS	Microsoft Disaster Recovery as a Service
DTP	Diagnosis and Treatment Pairs
EXCO	Executive Committee
FFS	Fee for Service
GM	General Manager
GP	General Practitioner
HFA	Health Funders Association
HIV/Aids	Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome
HPCSA	Health Professions Council of South Africa
HR	Human Resources
HRSE	Human Resource, Social & Ethics Committee
HSACF	Health Sector Anti-Corruption Forum
HWSETA	Health and Welfare Sector Education and Training
ICT	Information and Communication Technology

KM	Knowledge Management
LCBO	Low-Cost Benefit Option
MCO	Managed Care Organisation
MoU	Memorandum of Understanding
MSA	Medical Schemes Act, No. 131 of 1998
NDoH	National Department of Health
NDP	National Development Plan
NHA	National Health Act
NHI	National Health Insurance
NomCom	Nominations Committee
PA	Prudential Authority
PFMA	Public Finance Management Act
PMB	Prescribed Minimum Benefit
POs	Principal Officers
RBC	Risk-Based Capital
SA	South Africa
SADC	Southern African Development Community
SC	Senior Counsel
SCM	Supply Chain Management
SCR	Scheme Community Rate
SIU	Special Investigating Unit
SRM	Scheme Risk Measurement
TB	Tuberculosis
The Act	Medical Schemes Act, No. 131 of 1998

3. REGISTERED MEDICAL SCHEMES

Table 1: Registered (Open) Schemes

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

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

1. FOREWORD BY THE CHAIRPERSON

Dr Thandi Mabeba
Council Chairperson

WELCOMING THE NEW CHAIRPERSON, DR THANDI MABEBA

Dr Thandi Mabeba's recent appointment as the Chairperson of the Council at the Council for Medical Schemes (CMS) not only marks a historic moment for the organisation but also underscores the indispensable role of women in leadership within the healthcare landscape of South Africa. Dr Mabeba, the first female in this esteemed position, possesses a rare mix of competencies that make her the perfect fit to lead a R282 billion industry while safeguarding the lives of nine million medical scheme beneficiaries.

With a solid medical background, Dr Mabeba brings a wealth of experience from the private and public healthcare sectors to her role. Her multidimensional expertise not only enriches the Council's decision-making processes but also ensures that diverse perspectives are considered in the formulation of healthcare policies and strategies.

Beyond her clinical proficiency, Dr Mabeba's competence as a medico-legal consultant, integrating legal and health economics, adds another layer of depth to her leadership profile. Her insights into the legal intricacies of healthcare practices are invaluable in navigating the complex regulatory landscape, in tune with the quest of protecting beneficiaries at all times. A warm, hearty welcome to Dr Mabeba from the CMS Council, management, and staff.

INTRODUCTION

Steered by the 2020 – 2025 Strategic Plan, the organisation has remained true to its vision, mission, and strategic objectives, performing despite a complex and challenging macroeconomic environment. This achievement can be attributed to the organisation's successful adoption of the reengineered operating model that emphasises efficiency and effectiveness.

Central to the CMS' vision is the commitment to ensuring that all medical scheme members can exercise their fundamental rights to quality healthcare at an affordable cost. This overall is underscored by the principles of universal health coverage, a systematic shift that began to manifest with Provision Cyril Ramaphosa's signing of the National Health Insurance (NHI) Act.

In the past year, the ever-dynamic healthcare ecosystem has experienced notable shifts in the domain of access, healthcare delivery, legislation, and technology and innovation elements requiring an agile regulatory approach that proactively anticipates inflections

OVERVIEW OF THE ENTITY

At the heart of regulating the private healthcare industry in South Africa are [illegible] million medical scheme beneficiaries, who are part of 71 registered medical schemes administered by [illegible] organisations. These include [illegible] managed care organisations that meet their healthcare needs, and [illegible] healthcare brokers and [illegible] brokerages that service them.

The CMS achieved an overall performance of [illegible]% against its predetermined objectives, above the set target of [illegible]%. Most notably, the historic backlog of complaints has been cleared, and most complaints are resolved within 120 calendar days, thanks to an early resolution strategy that prioritises the resolution of non-complex complaints as early in the process as possible.

To reduce costs and improve quality outcomes, the CMS has implemented measures to ensure that medical scheme members receive quality care through clinical and legislative consolidations. These measures aim to streamline processes, improve efficiency and promote healthier outcomes while ensuring effective resource utilisation. The organisation conducts various member education and awareness initiatives to support this, ensuring beneficiaries are well informed of their benefit entitlements. Similarly, the organisation leads a healthcare fraud, waste, and abuse undertaking for industry sustainability. The turnaround time for setting down and judgement on appeals has also improved significantly.

The CMS advocates for a Risk-Based Capital approach as a more effective early warning system compared to making drastic changes to the current solvency requirements model. To support this transition, the CMS is working closely with medical schemes on a phased implementation, enabling them to assess the potential impact and gradually adapt to the new framework.

The CMS continued its focus on regulatory compliance by delivering on its mandate through prudent governance and enforcement, stringent accreditation and agile operations in observance of policies, laws, and regulations.

Due to its duty to conduct policy-driven research to facilitate decision-making and policy recommendations to the health ministry, the CMS published research reports on various topics affecting the industry, including annual general meetings, marketing expenditure, competition in such firms, and the value proposition of designated service providers (DSPs), amongst others.

STRATEGIC RELATIONSHIPS

The CMS enjoys consultative relations with various stakeholders with shared interests, locally and regionally. Since 2020, the CMS has concluded over 20 Memoranda of Understanding (MoU) with co-regulators, institutes of higher learning, industry associations, and bodies. These include MoUs with the University of Pretoria and the Health Professions Council of South Africa (HPCSA). The CMS is part of the regional organisation Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA), which promotes regional cooperation and engagement in the Southern African Development Community (SADC) region.

Similarly, ongoing partnerships with the Gordon Institute of Business Science (GIBS) allow the CMS to deliver a premium training programme tailored for the Board of Trustees (BoTs) of medical schemes, elevating their leadership competence to better service medical scheme members. Likewise, the organisation actively participates in consumer protection groupings such as the Consumer Protection Forum (CPF), National Consumer Council (NCC), and National Consumer Financial Education Committee (NCFEC).

Regular engagement with the Executive Authority, particularly in October and November 2023, has strengthened collaboration and alignment on key healthcare initiatives, improved communication, and reinforced trust between the CMS and the Department of Health. These ongoing engagements foster an open and transparent relationship underpinned by the quest to provide citizens of South Africa with improved healthcare

CHALLENGES FACED BY THE COUNCIL

Despite the CMS' compliance to its regulatory mandate and organisational performance, these can be achieved with a better funding model. The impact of health reforms, operational demand, and increased litigation in the medical scheme industry requires greater investment to ensure efficient and effective regulatory oversight. To resolve this, the CMS is consulting with the National Treasury to ensure that adjustments of levies and tariffs are tied to annual inflation.

On the other hand, escalating complaints and legislative delays in consulting the Medical Schemes Amendment Bill limit the CMS' ability to roll the shift to preventative care and other dispensations that will benefit medical scheme members. The CMS is steadfast in ensuring this inconvenient legislation is realised by regularly engaging with the Department of Health.

The Council faces a period of stabilising the organisation in the wake of the change in leadership with the departure of the Chief Executive and Registrar. Consequently, a new Strategic Plan that articulates the CMS of the future for the next five years will need to be crafted. These two factors will shift the way the organisation operates to a some extent. Still, by harnessing our collective drive, resilience, and teamwork, we will operate a stronger organisation aligned with our vision.

THE STRATEGIC FOCUS OVER THE MEDIUM TO LONG-TERM PERIOD

NHI

Consistent with the NHI Act 20 of 2023, the CMS is committed to being a formidable player in this quest to achieve universal health coverage. At the first phase from 2023 to 2025 progresses, the CMS will empower the medical schemes industry and support the establishment of frameworks that clarify the scope of complementary cover to services not reimbursable by the NHI Fund. Similarly, the CMS looks forward to participating in the health advisory committees and providing expertise.

PPR REVIEW (PHC PACKAGE)

Prescribed Minimum Benefits (PMBs) ensure that medical scheme members have access to essential health care services, regardless of their scheme or benefit options. Although regulations mandate a review every two years, this process has not been consistently followed. The review period has been extended to ensure that the covered PMBs align with current regulations, health policies, and the principles of cost-effectiveness and affordability for members. To address these considerations, the CMS has defined and costed a Primary Health Care (PHC) package designed to treat these challenges. Given the difficulties encountered in adhering to the two-year review requirement, the CMS intends to request the Minister to consider amending this regulation to reflect a more practical timeline.

FRAUD, WASTE AND ABUSE & SECTION 59 INVESTIGATION

In accordance with the Fraud, Waste, and Abuse (FWA) agenda, the CMS will work to fortify the standards set out in the Codes of Good Practice and Tribunal guides by developing Standard Operating Procedures for dealing with problematic claims, creating tools for monitoring and evaluation, detailed work on Administrators, and relevant legislation. This work and ongoing collaborations with the industry will culminate in another Fraud Summit in the next financial year.

Similarly following further engagements with all stakeholders concerned, the CMS looks forward to the release of the Section 59 Investigation Final Report.

The outcomes of this report, supported by the CMS' FWA proactive role, will ensure certainty in the treatment of providers by medical schemes and administrators.

FINANCIAL SECTOR OVERSIGHT AND DUTIES

The Minister of Finance has made several determinations to promote regulatory efficiency in the exercise of functions, powers, and duties outlined in sections 261 and 262 of the Financial Sector Regulation Act (2017). As such, until 31 March 2027, the functions of the Prudential Authority (PA) and Financial Sector Conduct Authority (FSCA) related to medical schemes, along with associated powers and duties, will be carried out by the CMS instead of the PA or FSCA, but with close consultation of these organisations.

DEREGULATION EXEMPTION FRAMEWORK

Correspondingly, the CMS has extended the exemption period for insurers conducting the business of a medical scheme. The new period will run from 1 April 2024 to

31 March 2025. The Designation Renewal Framework amendment process commenced in November 2023, after the CMS handed over the Low-Cost Benefit Options (LCBO) report and recommendations to the Minister of Health. The process entailed integrating inputs from various regulatory stakeholders, medical schemes, insurers, providers and industry associations to ensure a comprehensive and inclusive view of the exemption.

CONSUMER PROTECTION AND EMPOWERMENT

Consumer protection and awareness will remain key focus areas for the CMS in ensuring the protection of medical scheme members in the future. To break barriers presented by complicated medical jargon, limited access to information, and the cost of accessing services, the CMS will extend its member education sessions to incorporate roadshows, in addition to a new website specifically designed to enhance user experience.

To my colleagues in Council, old and new, thank you for your commitment to ensuring fair regulatory oversight and equitable healthcare provision. As we navigate the impending transformations in the health sector, may we continue to hold true to the CMS vision.

To the staff at the CMS, thank you for your consistent efforts in ensuring the smooth functioning of our organisation, the fair regulation of entities, and the fair protection of medical scheme members.

In closing, we bid farewell to Dr Sipho Kabane, the CMS' Chief Executive Officer and Registrar, as he retires after five years at the helm. His leadership has been instrumental in stabilising the organisation and ushering in a new, effective, and efficient microstructure that is fit for purpose. Dr Kabane will be remembered for his commitment to ensuring open engagement and collaboration with industry stakeholders at all levels. Go well, Dr Kabane; thank you for your hard work and dedication over the years.

ACKNOWLEDGEMENTS/ APPRECIATION

I extend my appreciation to the Honourable Minister of Health, Dr Aaron Motsoaledi, the Deputy Minister Dr Joe Phaahla and the team at the Department of Health for their exceptional leadership, advice and support.

Dr Thandi Mabeba
Council Chairperson
31 July 2024

5. OVERVIEW BY THE

CHIEF EXECUTIVE OFFICER

Dr Sipho Kabane
Chief Executive and Registrar

"The organisation obtained an unqualified audit opinion with no material adjustments on the Annual Financial Statements and Annual Performance Information."

The CMS is an essential organisation in South Africa's health ecosystem, and its financial stability is an important enabler for it to execute its regulatory mandate. In 2023/24, the organisation maintained a solid financial position, evident in its solvency and liquidity, due to its robust cost management and supply chain policies. Similarly, an amended dispensation to tariff rates allowed the regulator to collect additional revenue in addition to the surplus allocation from the previous financial year.

GENERAL FINANCIAL OVERVIEW OF THE PUBLIC ENTITY

The CMS executed its mandate with a budget of over R208 million (2022/23: R191 million) in the 2023/24 financial year from the following sources:

- Principal scheme member once-off levies (91%)
- Revenues generated through regulatory activities (3%)
- Grant from the National Department of Health (3%)
- Surplus funds rolled over from the 2022/23 financial year (1.5%)
- Interest earned and other income (1%)

The CMS' primary source of revenue is derived from levy imposition. The principal members of schemes, who number approximately 4 million, are levied a once-off amount each year. The extent of levies imposed each year is subject to the Ministers of Health and Finance's concurrence and approval of a proposal made by the CMS. The level of the levy imposed on principal members in 2023/24 was R46.40 (2022/23: R44.08) per member per annum, representing a modest increase aligned with Consumer Price Index (CPI) of R2.04 (5.3%) per principal member per annum.

Further, the second stream of income that contributes to the budget of the CMS is generated through regulatory activities, which are fees charged for registering schemes, registering new rules and amendments, registering, renewing, and accreditation of administrators, managing care organisations, and brokers. These tariff rates have only been adjusted once in the 30 years of the CMS' existence. The CMS, therefore, requested an inflationary adjustment to the tariff rates from the Minister of Health, which was approved in June 2023. The amended tariff rates, effective from September 2023, allowed the CMS to collect additional revenue to better deliver on its mandate.

Additionally the entity receives a third stream of income through grant funding from the National Department of Health (NDOH). This grant funding is mainly used for the research support provided by the CMS to NDOH in delivery. Lastly the rollovers surplus funds are income approved by the National Treasury in terms of s22(2) of the PFMA relating to surplus funds generated by the CMS in the previous period. Once approved, these funds are used for specific cost pressures in the new financial year.

SPENDING TRENDS AND CAPACITY CONSTRAINTS

In terms of expenditure trends the CMS has been able to manage its spending to be in line with the budget. However, in the current year some cost savings have resulted in a favourable impact on the entity's bottom line. These savings are mainly in consulting and legal fees. Even though the CMS has reported under-expenditure on compensation of employees for the period under review due to resignations and delays in the recruitment process, it overused in relation to the previous financial year. This is because of the implementation of salary benchmarking results and other policy-related benefits that were long overdue for employees. The no-cost surplus funds provided some financial relief to the CMS as the organisation was able to meet some of these employee-related benefits. Moreover, the CMS has been able to stay within budget with some savings at year-end due to funded positions that are in the process of appointment and resignations during the year.

It is, however, important to note that the entity's compensation of employees budget is insufficient to fund the organisation's entire structure. Therefore, the entity is phasing in the implementation of its organogram based on critical areas and affordability.

NEW OR PROPOSED KEY ACTIVITIES

The CMS is at the tail end of its strategic plan cycle therefore, there were no new key activities.

SURPLUS ROLLOVER

Through collaborative partnerships and diverse efficiencies achieved, possible the entity has a accumulated surplus of R3.2 million in this year under review and will be applying for a rollover from the National Treasury.

SUPPLY CHAIN MANAGEMENT

Supply Chain Management (SCM) is centralised in the Office of the Chief Financial Officer (CFO). It has been instrumental in assisting the entity to address the inefficiencies and non-compliance challenges experienced in previous financial periods. Regarding the approved organisational structure, the unit is capacitated by three officials: the SCM Manager, the Supply Chain Officer, and the Supply Chain Administrator. SCM is also confronted with historically issues that pose risks in terms of segregation of duties, oversight and workload, particularly concerning contract management. To address these shortcomings, a Procurement Specialist has been employed temporarily to provide support because of the workload and high demand for the entity's procurement of goods and units. A parallel process of Auditor-Generals diagnostic review has been requested for a more permanent solution that would serve to thoroughly assess the current capacities and identify potential areas for improvement.

The unit continues to ensure the organisation's SCM policies and procedures are compliant with prescripts and in line with best practices. The Council reviewed and approved the updated SCM and travel policies in February 2024 to align with all new legislation and SCM best practices. The reviews aimed to address shortcomings identified within the CMS and align them with new National Treasury guidelines, emerged practices SCM and the Legal Unit developed the Contract Management Framework and Standard Operating Procedures to address challenges within the contract management value and findings raised by the Auditor General of South Africa (AGSA) in the previous financial period.

A Loss Control Committee is fully functional and discharging its duties in addressing non-compliance with the organisation's SCM policies, procedures, and National Treasury Regulations. Further, additional capacity in the form of an independent consulting firm has been employed to assist the Loss Control Committee in making significant progress in performing the assessment and determination tests as required by the National Treasury in terms of the Public Finance Management Act (PFMA) Compliance and Reporting Framework. Lastly, the determination test has been concluded for all cases starting from the 2022/23 financial years to date, and cases recommended for consideration for consequence management are being considered in collaboration with labour relations.

CONCLUDED UNSOLICITED BID PROPOSALS FOR THE YEAR

The CMS did not entertain, award, or conclude any unsolicited bid proposals in the 2023/24 financial year.

AUDIT REPORT MATTERS

The CMS audit opinion has improved from the previous financial year. The organisation obtained an unqualified audit opinion with no material adjustments on the Annual Financial Statements (AFS) and Annual Performance Information. In the previous financial year, two material non-compliance paragraphs formed part of the audit report standing between the CMS and a clean audit opinion. These relate to irregular expenditure and consequence management. In the 2023/24 audit, the CMS audit report only has one material non-compliance paragraph relating to consequence management.

The organisation is well on its way to obtaining a clean audit outcome by the 2024/25 financial year. This is a much-welcome improvement in the financial management and governance of the institution. Finally, all efforts are focused on continuing to strengthen internal controls and ensuring that areas that require consequence management are appropriately dealt with timeously and within the applicable legislative framework.

OUTLOOK FOR THE FUTURE TO ADDRESS FINANCIAL CHALLENGES

The economic outlook for South Africa in 2024 remains subdued, with modest expansion rates projected by both the South African Reserve Bank (SARB) and the National Treasury. The consumer confidence index is low, reflecting heightened concerns about economic stability. The stagnant economy has limited employment opportunities and impacted the growth of medical scheme membership. This has a direct bearing on the entity's source of revenue.

To address challenges, the CMS will continuously review and conduct risk assessments to identify vulnerabilities within the medical scheme industry, prioritise efforts and resources to mitigate critical risk, and promote innovation to enhance efficiency and reduce costs.

ECONOMIC VIABILITY

The CMS continues to strengthen its financial position and shows strong solvency and liquidity.

Dr Sipho Kabane
Chief Executive and Registrar
31 July 2024

FAREWELL MESSAGE

DEAR COLLEAGUES AND STAKEHOLDERS

As I bid farewell to my role as the Registrar and Chief Executive of the Council for Medical Schemes (CMS), I am filled with a profound sense of gratitude and reflection. Since my appointment in February 2019, it has been an honour to lead this esteemed organisation and work alongside such dedicated professionals committed to safeguarding the interests of medical scheme members in South Africa.

One of the milestones during my tenure was hosting the first Fraud, Waste and Abuse (FWA) Summit. This summit was a pivotal moment in our collective efforts to address the rampant issues of FWA within the medical schemes industry. Bringing together stakeholders from across the private healthcare sector including medical schemes, administrators, managed care organisations, policymakers, and other key players, we forged a path towards a more sustainable and transparent industry. The signing of the FWA Charter in 2019 marked a significant step forward, and the subsequent development and adoption of the Industry Code of Good Practice took that further. The FWA Tribunal rules in 2022 have also solidified our commitment to these principles.

Reflecting on the Section 59 investigation, I am proud of the rigorous and independent inquiry we launched in response to allegations of racial discrimination by medical schemes and administrators. The establishment of a multidisciplinary Steering Committee and the appointment of an independent panel underscored our dedication to justice and equity. The public hearings and thorough investigation led by Advocates Thembeka Ngcukaitobi SC, Adilla Hoosen, and Kathy Williams have been crucial in addressing these critical challenges and ensuring that our healthcare system upholds the highest standards of fairness and inclusivity. I look forward to the release of the final report.

The COVID-19 pandemic presented unprecedented challenges, and our response was swift and decisive. By ensuring that COVID-19 was recognised as a Prescribed Minimum Benefit (PMB), we guaranteed that members of medical schemes received the necessary care during this global crisis. Our successful complaint to the Competition Commission regarding the exorbitant prices of COVID-19 tests resulted in significant cost reductions, further demonstrating our unwavering commitment to protecting the public's interests.

We also embarked on a significant journey to enhance our organisational structure for improved effectiveness and efficiency. Through a comprehensive diagnostic exercise, we identified gaps and developed solutions to create a more streamlined and responsive CMS. The implementation of the new Service Delivery and Operating Model framework will undoubtedly lead the CMS to a brighter and more efficient future.

As I reflect on these achievements, I am reminded of the incredible teamwork and collaboration that made them possible. Together, we have navigated complex challenges and driven meaningful change in the healthcare sector. My journey with the CMS has been deeply fulfilling, and I am confident that the organisation will continue to thrive under new leadership.

I extend my heartfelt thanks to each of you for your unwavering support, dedication, and hard work. It has been a privilege to serve alongside you. As I embark on the next chapter of my journey, I carry with me the invaluable lessons and experiences gained during my time at the CMS.

May we continue to strive for excellence, transparency, and fairness in all our endeavours. The future of the CMS is bright, and I am excited to see the remarkable progress that lies ahead.

Dr Siphiwe Kabane
Chief Executive Officer
31 July 2024

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

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

The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.

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

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

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

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2024.

Yours faithfully,

Dr Thandi Mabeba
Chairperson of the Board
31 July 2024

Dr Sipho Kabane
Chief Executive & Registrar
31 July 2024

7. STRATEGIC OVERVIEW

Vision

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

Mission

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

- protecting the public and informing them about their rights, obligations and other matters in respect of medical schemes.
- Ensuring that complaints raised by members of the public are handled appropriately and speedily.
- Ensuring that all entities conducting the business of medical schemes and other regulated entities, comply with the Medical Schemes Act.
- Ensuring the improved management and governance of medical schemes.
- Advising the Minister of Health of appropriate regulatory and policy interventions that will assist in attaining national health policy objectives.
- Ensuring collaboration with other stakeholders in executing its regulatory mandate.

Values

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

REGULATORY PHILOSOPHY (EXTERNAL)

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

SHARED VALUES (INTERNAL)

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

8. LEGISLATIVE AND OTHER MANDATES

LEGISLATIVE MANDATES

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

People also have the right to access information that is held by another person if it is required for the exercise or protection of a right. This may arise in relation to obtaining one's medical records from a health facility for the purposes of lodging a complaint or for giving consent for medical treatment. This enables people to exercise their autonomy in decisions related to their health, which is an integral part of the rights to human dignity and bodily integrity, in sections 10 and 12 of the Constitution respectively.

Section 27 of the Constitution places the obligation on the state to make reasonable legislation to realise socio-economic rights progressively, including access to health care.

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

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

Everyone has the right to access to:

- Health care services, including reproductive health care.
- Sufficient food and water.
- Social security, including appropriate social assistance, if they are unable to support themselves and their dependants.

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

Section 36 of the Constitution states that the limitation of rights may qualify such rights in terms of what would be achieved in whichever rights included in the Bill of Rights are limited by law. Section 39 of the Constitution guarantees the freedom of trade, which may be limited by law.

The Medical Schemes Act limits the business of a medical scheme to those duties mentioned by the Council for Medical Schemes and requires such parties to comply with the provision of the Medical Schemes Act.

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

The NHA provides the framework for a structured uniform health system for our country, considering the obligations imposed by the Constitution and other laws on the national, provincial, and local governments regarding health services. A key objective of the NHA is to utilise the various elements of the national health system to actively promote and improve the national health system in South Africa. Added to this is the intent to foster a spirit of cooperation and shared responsibility among public and private health professionals, provinces, and other role-players in the spirit of the principles of national, provincial and district health plans.

THE CHARTER FOR THE PUBLIC AND PRIVATE HEALTH SECTORS OF SOUTH AFRICA, 2004

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

THE MEDICAL SCHEMES ACT, NO. 131 OF 1998

The Medical Schemes Act (No. 131 of 1998) established the Council for Medical Schemes (CMS). Section 7 of the MSA entrusts the following functions on the CMS:

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

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

RELATED LEGISLATION IMPACTING AND INFLUENCING THE FUNCTIONING OF THE CMS

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

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

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

National Health Insurance Act (No. 20 of 2023 (NHI)) - To achieve universal access to quality health care services through the establishment of a National Health Insurance Fund and to set out its powers, functions and governance structures.

NATIONAL DEVELOPMENT PLAN VISION 2030

As an organ of the state, Council is obliged to discharge its legislative mandate in a consistent manner that is consistent with national policy as set out in the National Development Plan (NDP) Vision 2030.

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

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

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

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

POLICY MANDATES

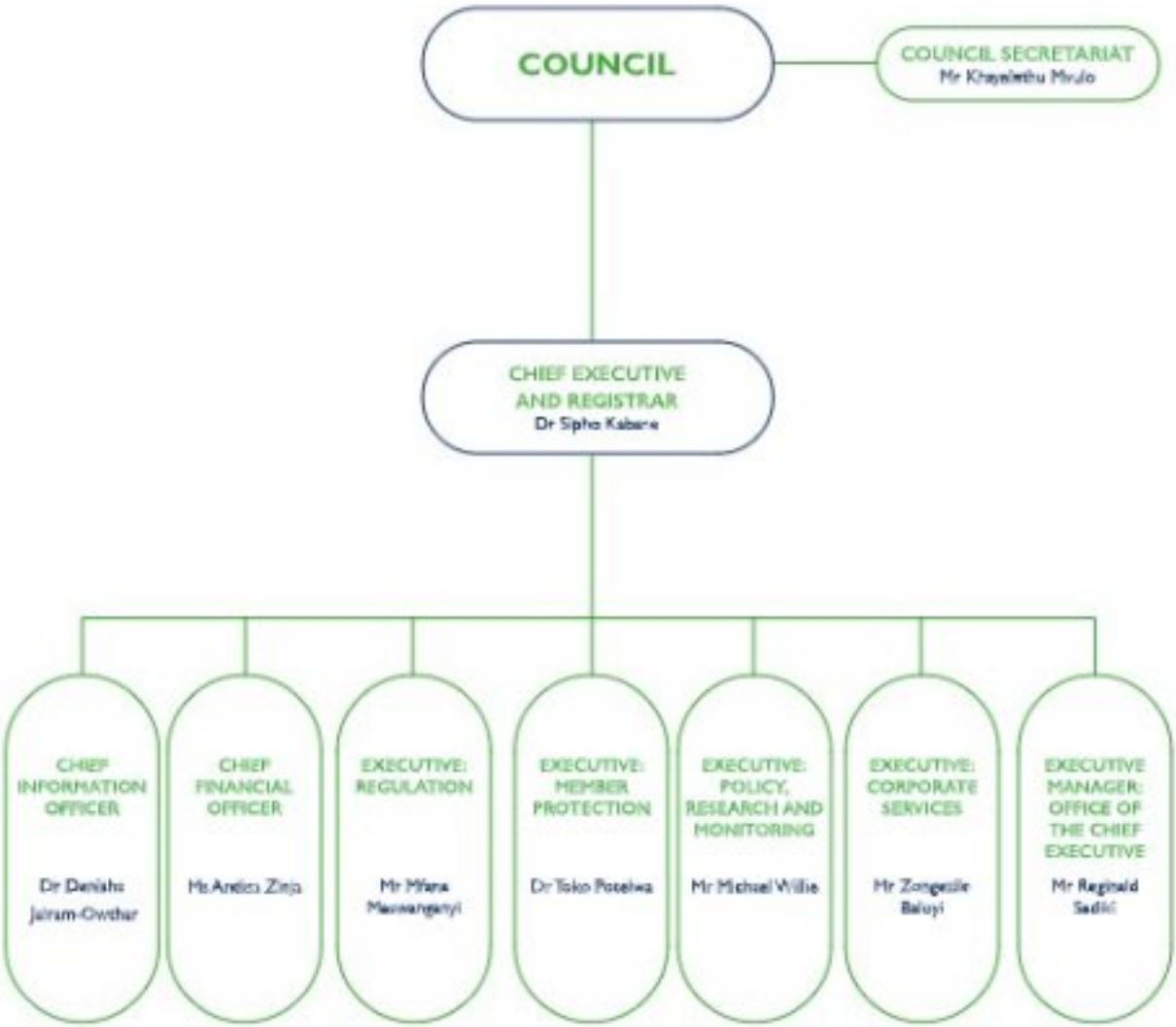
The political environment has been stable for the greater part of this five-year period. The Minister of Health has been persistent in effecting policy developments that affect the industry. The policy mandate and context for the health sector and the medical schemes industry have largely been driven by:

- National Development Plan Vision 2030
- Sustainable Development Goals
- Strategic Plan of the National Department of Health

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

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

9. ORGANISATIONAL **STRUCTURE**



10. CMS COUNCIL

DR THANDI MABEBA

MR RAHEEM KAHEMAR

MS PENELOPE ANNE BECK

DR KARMANI CHETTY

MR ABDULQADIR CHOGLE

MR TJAART ESTERHUYSE

MR SIYABONGA JIKWANA

DR PETER MASEGARE

DR NOMDEKO MBAVA

MR MADALANE MFUNDISI

DR HONOURS MUKHARI

DR SUGENDRA NAIDOO

DR XOLANI NGOBESE

MR MORENI NKOSI

MS MATSHIDISO RAMAGANGA

MR KHUYALETHU MVULO

11. CMS MANAGEMENT

DR SIPHO KABANE
CHIEF EXECUTIVE AND REGISTRAR

MS ANDISA ZINJA
CHIEF FINANCIAL OFFICER

DR DENISHA JAIRAM-OWTHAR
CHIEF INFORMATION OFFICER

MR MFANA MASWANGANYI
EXECUTIVE: REGULATION

MR MICHAEL WILLIE
EXECUTIVE: POLICY, RESEARCH & MONITORING

DR TOKO POTELWA
EXECUTIVE: MEMBER PROTECTION

MR ZONGEZILE BALOYI
EXECUTIVE: CORPORATE SERVICES

MR REGINALD SADIKI
EXECUTIVE MANAGER:
OFFICE OF THE CHIEF EXECUTIVE

PART B

PERFORMANCE INFORMATION

1. AUDITOR'S REPORT:
PREDETERMINED OBJECTIVES

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

Refer to page 104 to 108 of the Auditor's Report, published as Part F: Financial Information.

2. OVERVIEW OF PERFORMANCE

2.1. SERVICE DELIVERY ENVIRONMENT

[illegible]

[illegible]

[illegible]

LEGAL AND REGULATORY IMPLEMENTATION

[illegible]

PUBLIC VS. PRIVATE SECTOR EMPLOYMENT

The economic conditions focus on the economic environment, using data from formal employment in the non-agricultural sector.

The growth trends in employment levels contained in 2020. The increase in these job numbers after the COVID-19 pandemic outbreak in 2020 mainly comes from part-time employment, which did not directly impact medical scheme membership. This rise in part-time roles aligns with the implementation of the Presidential Youth Employment Intervention (PYEI) in the basic education sector, addressing the prevalent youth unemployment issue in South Africa.

This intervention is supported by a significant 53.1% increase (equivalent to approximately 451 000 jobs) in employment within the community, social, and personal services sectors between the second quarter of 2020 and the third quarter of 2020, mainly within the public sector. While employment figures rose across all public sector areas in the third quarter of 2020, there were declines in local government and State-Owned Companies (SOCGs) levels within the transport, storage, and communication sectors.

Online-dependent private-sector employment saw a loss of 12 000 jobs (0.6%) in the third quarter of 2021, which offset the gains made in the second quarter. Despite job increases in the private subsectors, significant losses in the finance, insurance, real estate, business services, construction, and manufacturing sectors cumulated these gains. Despite increases in medical scheme membership in the private sector, which can also lead to employment, the slow growth rate in employment remains a potential concern for medical scheme administrators as the new financial year begins.

The impact of these external factors on the CMS cannot be accurately precluded in the medium-to-long term. However, the CMS must ensure that it understands the risks these factors pose to its ability to achieve its objectives and put plans in place to mitigate them.

The use of virtual platforms for meetings has significantly increased since 2020. In the regulatory environment, the CMS noticed more medical schemes opting for virtual platforms. In 2021, the CMS issued Circular 20, supporting the use of virtual platforms for meetings of the Board of the Annual General Meeting (AGM) process. In the 2020/21 financial year, some schemes returned to in-person meetings, but many chose to host virtual or hybrid meetings, reducing the costs of convening AGMs.

The effects of climate change, energy, and water shortages have negatively impacted the country's economic recovery efforts and led to general advance impact on healthcare. Regions like Kwa-Zulu Natal experienced the combined effects of these phenomena at some point.

Based on the updated gross domestic product (GDP) projections by the South African Reserve Bank (SARB) and the World Bank, we are experiencing a challenging economic recovery. The situation stems from analysing the economic recovery and key uncertainties in the CMS environment over the remaining five-year Strategic Planning cycle.

Additionally, the CMS' external environment is heavily influenced by extensive legal challenges and policy initiatives related to the government's efforts to implement the National Health Insurance. This scenario can indirectly reduced resources for the CMS to address its regulatory shortcomings, human resources, Information Technology (IT) systems, and other operational challenges. The combined impact of the scenario results in slow progress towards resolution of issues and efficiency and delayed delivery of the National Health Insurance (NHI) support programmes.

2.2. ORGANISATIONAL ENVIRONMENT

The Public Finance Management Act (PFMA) requires public entities to submit quarterly performance information reports to the relevant executive authority and the National Treasury. During the period under review, the CMS submitted all the quarterly information reports to the executive authority and the National Treasury. No issues of concern were raised by the executive authority in the reports. All the quarterly reports showed excellent performance by the organisation under the direction of the Council.

The organisation is experiencing a loss of institutional knowledge due to resignations and retirements. During the period under review, a Benefits Task Team investigation recommended employee benefits options for the organisation. The task team considered phased-in options for implementing a pension or provident fund, taking into account the existing group benefits.

Human resources coordinated wellness sessions in line with the employment relations programme support offered by the employer to promote employee work-life balance.

2.3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

In Chapter 2 of the Constitution of the Republic of South Africa, the Bill of Rights underscores the obligation of the State to enact reasonable legislative and other measures to ensure accessible healthcare services for all citizens. Section 27 guarantees access to health care services, food, water, and social security. In contrast, Section 24 safeguards the right to an environment that promotes the health and well-being of South Africans. In accordance with these constitutional mandates, the National Department of Health (NDOH) unveiled the National Strategic Plan for the Prevention and Control of Non-Communicable Diseases, 2022-2027, as part of its commitment to substantive and human-rights-based approaches to addressing non-communicable diseases, risk factors, and mental health conditions. This strategic blueprint underscores the importance of adopting integrated and person-centred approaches, fortifying health systems for non-communicable diseases, and fostering coordinated engagements with stakeholders in all levels of care. Furthermore, it seeks to advance the implementation and improvement of care cascades for prevalent chronic conditions such as hypertension and diabetes.

These conditions are actively monitored within medical schemes through risk management projects. The alignment of the National Strategic Plan with these bodies highlights a concerted effort to collaboratively address prevalent chronic conditions and achieve improved health outcomes.

In May 2023, the World Health Organization (WHO) declared that COVID-19 is no longer a public health emergency, officiating the culmination to multiply infection rates, hospital admissions, and deaths. South Africa's robust response to the pandemic played a pivotal role in the nation's economic recovery and future growth. However, the repercussions of COVID-19 on healthcare service provision have been observed, particularly concerning Human Immunodeficiency Virus (HIV) screening services and other essential maternal and childcare services, such as cervical cancer screening and childhood immunisations. These disruptions could impede the overall progress towards achieving the Sustainable Development Goals (SDGs) and undermine the effectiveness of the healthcare system.

The revised National Strategic Plan (NSP) crafted by the South African National AIDS Council (SANAC) reflects a strategic realignment of interventions pertaining to HIV. This updated plan underscores critical strategic objectives aimed at eliminating obstacles to accessing treatment and social services, particularly for individuals living with HIV, tuberculosis (TB), and sexually transmitted infections (STIs). Predictively, these populations have encountered challenges in accessing and benefiting from treatment and care services. The NSP 2023-2028 prioritises reducing inequalities and improving access to essential services for all affected individuals. It highlights the interconnectedness of various health and social issues, including mental health, sexual and gender-based violence (SGBV), human rights violations, and how equitably addressing these complex

comprehensively, the NSP 2023-2028 represents a holistic approach to promoting health equity and ensuring access to essential services for all individuals affected by these health challenges.

The commitment of the South African Government to ensuring universal access to healthcare services has been steadfast since 1994, with a focus on establishing a healthcare system that promotes preventive measures alongside treatment. This proactive approach addresses health concerns before they escalate, ensuring timely intervention when individuals' health is compromised.

To bolster these efforts, the government has outlined key priorities in the Medium-Term Strategic Framework (MTSF), aligning them with the broader goals of the National Development Plan 2030. This strategic framework delineates a comprehensive vision for ensuring access to quality healthcare services, reducing health disparities, enhancing healthcare infrastructure and resources, strengthening workforce capacity, and prioritising preventive healthcare measures.

These initiatives are critical to realising the National Health Insurance (NHI) vision, which aims to achieve universal healthcare coverage by eliminating financial barriers to healthcare access for all South Africans.

NATIONAL HEALTH INSURANCE BILL

The NHI will be phased in using a two-phase approach, with an effective date of implementation anticipated in 2026.

1. 2023-2026: Establishment of the institution and acceleration of the implementation of a health platform and other basic requirements. Quality improvement programmes will be deployed in all provinces, spanning from primary healthcare to specialised services.
2. Up to 2058: Continuation of implementation of contracting services. Vulnerable groups will be prioritised, for example, many primary care centres lack sufficient physiotherapists, audiologists, etc. general practitioners (GPs) will be included at a district level to provide services from their rooms.

MEDICAL SCHEMES AMENDMENT BILL

The non-promulgation of the Medical Schemes Amendment Bill poses challenges to the CMS in fulfilling its regulatory role effectively. Recognising the need for legislative amendments to enhance regulatory efficiency, the CMS has pursued modifications to the MSA to empower its regulatory functions.

DEMARCATION REGULATIONS AND LCBO

The CMS assumed the task of compiling and organising the LCBO Report for submission to the Minister. This process involved consolidating all pertinent information, supporting data, and analyses into a comprehensive and coherent document. The aim was to create a document that the Minister and other stakeholders could easily understand and review.

Subsequently, on 22 November 2023, the CMS briefed the Minister of Health and relevant delegates from the NDOH, she handed over the LCBO Guidelines for further review and consideration. The NDOH and the CMS issued a joint press statement on the same day to communicate this action. Following this, the Minister of Health proposed the renewal of the exemption for one year, from 1 April 2024 to 31 March 2025, aligning with the Renewal Exemption Framework that had been compiled.

UNDESIRABLE BUSINESS PRACTICES (UDBP), DESIGNATED SERVICE PROVIDERS (DSPS) AND EXCESSIVE CO-PAYMENTS

The matter remains with the Appeals Board for a ruling on the intervention application, and the CMS is currently engaging stakeholders. The hearing was scheduled for 24 May 2024, but due to the unavailability of the Chairperson of the Appeals Board, it will be held in the second quarter of 2024.

FINANCIAL SECTOR REGULATION ACT (FSRA)/COFI BILL

The CMS has presented a comprehensive submission to the Minister of Health, ensuring that key areas are covered in the engagements between the Minister's team and Treasury. The submission emphasises the need for an agreement to be reached on the bilateral regulatory framework. The CMS supports the implementation of these twin pieces to the extent that they do not erode the powers or authority of the CMS in line with its constitutional mandate.

It was unanimously agreed upon by the CMS, the FSCA, and Prudential Authority that it is imperative that technical alignments be explored between the Financial Sector Regulation Act of 2017 and the Medical Schemes Act 131 of 1998 to ensure a harmonious regime between the two legislations.

The deadline of 31 March 2024 has been extended to 31 March 2027, and this extension will be followed up by the development of action and implementation plans to harmonise the Twin Peaks and the Medical Schemes Act. Furthermore, it is important to highlight the ongoing processes being undertaken to meet the March 2027 deadline and date of promulgation of the required gazette to confirm the final status of determinations under sections 291 and 292 of the Financial Sector Regulation Act, 2017.

The CMS recommended that the Minister of Health engage with the Minister of Finance on broader policy matters, to ensure that the CMS continues to serve as the open regulator for the private health industry.

2.4. PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

IMPACT STATEMENT	To be an agile and transformative Regulator in order to promote affordable and accessible health care cover towards universal health coverage.
PROGRESS REVIEW STATEMENT	The period under review is year four of the five-year (2020-2025) Strategic Plan. The CEO and Registrar led the development and execution of the 2020-25 Strategic Plan, that resulted in the CMS analysis of both the internal and external environmental changes in order for the CMS to be proactive towards the developments of the industry that it regulates. The strategic focus has been enhanced in the review of the 2023/24 Annual Performance Plan, taking a forward-looking posture for the 2024/25 financial year. The CMS is making significant progress on the strategic outcomes it adopted in 2020 and is striving to achieve these outcomes within the remaining year of the five-year plan.

The CMS has developed the following strategic outcomes for the 2020-25 Strategic Plan aligned with the 2019-24 Medium-Term Strategic Framework (MTSF).

OUTCOME 1	TO PROMOTE THE IMPROVEMENT OF QUALITY AND THE REDUCTION OF COSTS IN THE PRIVATE HEALTH CARE SECTOR
Progress Review Statement	In Section 7(e) of the Medical Schemes Act, one of the critical functions of the Council is to collect and disseminate information about private health care. The CMS is also mandated by the Medical Schemes Act (MSA), Section 7(e) to make recommendations to the Minister on the quality of healthcare in medical schemes, and it publishes the findings annually in the report. The CMS reports the utilisation of health services and monitors the prevalence of chronic conditions in the medical schemes' population. Other monitoring processes include the continued collection of Scheme Risk Measurement (SRM) data to measure and report on the risk profiles of medical schemes and benefit options. This allows interested parties to better understand the impact of age and chronic disease on the beneficiaries covered by medical schemes. The CMS Industry report analyses indicators pertinent to the Sustainable Development Goals (SDGs), primarily focusing on mental health and child and maternal care. Specifically, findings reveal an uptick in the incidence of depression among beneficiaries, with a [illegible] increase per 1 000 beneficiaries observed from 2021 to 2022. Notably, open schemes exhibit higher levels of depression than closed schemes, with a more pronounced rise noted in open schemes, registering a [illegible] increase from [illegible] to [illegible] per 1 000 beneficiaries. In contrast, closed schemes saw a more modest increase from [illegible] to [illegible] per 1 000 beneficiaries, indicating a [illegible] rise. Additionally, the data highlights a concerning decline in immunisation coverage from 2021 to 2022. Likewise, screening rates for cervical cancer have also declined, which could potentially lead to increased downstream costs and adverse health outcomes. This downward trend in screening rates poses financial implications, it raises concerns regarding the overall well-being of individuals, underscoring the importance of addressing and reversing this trend to mitigate potential negative consequences. This trend underscores the critical need for immunisation as a fundamental aspect of primary health care, necessitating immediate attention to funding and health promotion perspectives. The medical schemes sector continues to exhibit growth, with an increase in beneficiaries resulting in coverage of over 9 million lives between 2021 and 2022. However, despite this growth, the industry still represents less than 15% of the total population. Membership in healthcare insurance schemes is hindered by [illegible] economic challenges, including rising unemployment rates and financial constraints. In contemporary healthcare insurance schemes, claims experience ratios are notably high, with some schemes experiencing ratios exceeding 100% while others maintain ratios below this threshold. The escalating claims experience may be attributed to the demand for healthcare services, including those deferred during the COVID-19 pandemic, warranting close monitoring of its impact on solvency of all scheme reserves. These developments are likely to influence contribution rates, which will be rigorously assessed through cost projections. Progress has been achieved on the Prescribed Minimum Benefits (PMB) review project, with a current focus on prioritising the inclusion of primary healthcare services as PMB through a phased approach. The costing committee has finalised the cost of the package and developed an affordability framework, leveraging the risk perspectives derived from claims data obtained from medical schemes. Furthermore, the Benefits Advisory Committee (BAC) has been reconstituted to provide additional insights and guidance. Ongoing engagement with the BAC regarding the costing model and affordability framework is underway, reflecting a collaborative effort to ensure thorough consideration of various factors in the PMB review process.

OUTCOME 2	TO ENCOURAGE EFFECTIVE RISK POOLING
Progress Review Statement	The 2019 Health Market Inquiry Report underscored the challenges that beneficiaries face when selecting suitable benefit options within the medical scheme sector, citing the extensive range of choices available as a primary obstacle. Consequently, a recommendation emerged to standardise supplementary benefit packages to simplify decision-making processes for medical scheme beneficiaries. Over time, the CMS has made significant progress in devising a framework to standardise and streamline benefit options. As part of its continuous endeavours, the CMS has initiated the establishment of a relational database architecture to compile benefit information, thereby facilitating the assessment process. Furthermore, the CMS has undertaken a project to develop a regulatory framework to identify emerging trends and craft recommendations for a responsive regulatory framework. This framework is intended to address both clinical and administrative complaints documented in the CMS complaints database. A pilot survey has been planned. The game theory framework of analysis was tested previously to find a causal path between scheme behaviour (scheme strategy), member behaviour (member strategy), and pay-offs (win or lose ratings). It is hypothesised that undesirable behaviour creates systemic reputational risk and market failure due to information asymmetry. The pilot survey incorporates Out-of-Pocket (OOP) questions, which will describe the nature of the cause of market failure (episodes associated with specific health-seeking behaviour resulting in OOP penalties due to scheme or beneficiary conduct). The responses will be used to construct a structural equation model linking behaviour to market failure. An annual evaluation of government-funded medical schemes and smaller risk pools comprising fewer than 6 000 members revealed their sustained viability and demonstrated membership growth. An examination of the solvency ratio, a critical metric overseen by the Medical Schemes Act, indicated that ten of the 11 schemes adhered to Regulation 29, maintaining a solvency ratio surpassing the mandated threshold of 25%. Five of the 11 state employees' medical schemes operated with memberships totalling less than 6 000 individuals. During the review period, membership in smaller risk pools collectively increased by nearly 9%, indicating a positive trend. The membership of these schemes ranged from 694 to 5 893 principal members, encompassing a total of 194 015 beneficiaries. These schemes collectively generated R5.5 billion in Gross Contribution Income (GCI) while incurring R845.8 million in expenses related to gross administrative services. These schemes maintained solvency ratios exceeding 25% as of December 2022, ranging from 38.7% to 43.6%. The review of the Risk Based Capital (RBC) project, where an external actuarial firm was commissioned to assess the model, has been concluded. The recommendations highlighted the need for careful consideration of input variables and the potential impact of these entities. It was noted that certain schemes may require increased reserves while others may need to reduce reserves, leading to the necessity of releasing more assets. Additionally, unintended consequences were identified, compounded by the fact that RBC is neither legislated nor prescribed in terms of the Medical Schemes Act, alongside other implementation challenges. The recommendations proposed that RBC be utilised as a regulatory early warning tool.

[illegible]	[illegible]
Programme Review Statement	Numerous regulatory interventions were implemented during the strategic period under review, including monitoring and implementation of enforcement actions, governance interventions, and inspection of regulated entities. Therefore, the proposed observing each of the medical scheme member meetings (AGMs) and generating observation reports, along with advocating for virtual member meetings in response to the COVID-19 pandemic. Furthermore, during this period, routine compliance and routine/statutory inspections were conducted to review the affairs of medical schemes and other regulated entities. The oversight and responsibility of supervising health insurance products and medical schemes are provided by regulations on differentiation, which ensure that insurance products do not undermine the medical scheme environment. The CMS governance body is responsible for granting exemptions based on advice from the Registrar through the Regulation Decision Committee (RDC). The Exemption Framework was adopted by the Council for Medical Schemes, the National Treasury, and the National Department of Health. Insurers conducting medical scheme business were previously granted an exemption to March 2024, which was extended to March 2026 to ensure continued coverage for existing subscribers and await the pronouncement by the Minister on the LCBO that was developed and handed to the Minister on 30 November 2023. The Ministerial advisory report containing recommendations on Low-Cost Benefit Options (LCBO) and scheme recommendations was concluded and submitted to the Minister in November 2023. The report delineated various options grounded in both technical and policy analyses. Additionally, it included a detailed examination of the necessity for low-cost benefit options and the future of currently exempted products. Among the key principles considered were ensuring financial protection for beneficiaries, avoiding heightened out-of-pocket expenses, compliance with the Medical Schemes Act and its principles, addressing the disease burden, and alignment with health system objectives. In January 2024, the Minister established a task team to review the report and provide further recommendations. Work on this matter is underway, with ongoing support from the CMS to facilitate these processes. Medical scheme administrators (including third-party administrators and brokers), managed care organisations, and schemes providing their own administration and/or managed care services are subject to rigorous evaluation of their compliance with the regulatory requirements and accreditation standards before accreditation is granted or compliance certificate issued (the latter in case of self-administered schemes). In addition, the CMS continues to ensure that accreditation was monitored throughout the accreditation or compliance periods. Moreover, appropriate action was taken where and when non-compliance with accreditation requirements and standards was detected. The CMS has been actively engaged in ongoing efforts to understand the nature of transformation within the medical scheme industry. The Health Market Inquiry Report findings in 2019 underscored transformation as a significant barrier to higher participation. Notably, marginal market entry has occurred, but this has predominantly involved the limited involvement of previously disadvantaged groups. During the period under review, the CMS conducted a study focusing on the market concentration of external audit companies offering external auditing services provided to medical schemes, which PwC and Deloitte primarily dominated. The study also found that the Herfindahl-Hirschman Index (HHI) score was greater than 2 500, indicating a highly concentrated market. In light of these findings, the study recommended that the Board of Trustees (BoT) prioritise diversity and inclusivity considerations when procuring auditing services. This recommendation reflects a proactive approach to fostering a more equitable and inclusive landscape within the medical schemes industry. The CMS continues to adhere to a stringent process for assessing and registering medical scheme rule amendments submitted in accordance with Section 31(1) of the Act. This is done to ensure that the rules registered are fair to members and consistent with the Act. In addition, the CMS does this to ensure proper governance of medical schemes. The set turnaround times for the processing of medical scheme rules are met with precision, consistency, and commitment. Changes to benefits offered by medical schemes and contribution adjustments are among the processed rule amendments. In considering these amendments, the CMS has endeavoured to safeguard beneficiaries of medical schemes from the threat of diminishing benefits and an unsustainable increase in contributions paid by medical scheme beneficiaries. The processing and approval of efficiency discounted options (EDOs) applications for exemptions (Section 8(h)) has ensured that a significant number of medical scheme beneficiaries have access to high-quality health services at affordable contributions.

[illegible]	TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION
Progress Review Statement	The CMS has successfully completed the recruitment process for the appointment of [illegible] executive positions during the reporting period. The results of the job evaluation and salary benchmarking exercise to align with the new structure were approved by the Council on 4 July 2023, for retrospective implementation to July 2022. The CMS is in the process of reviewing its funding model. The current, outdated funding model remains [illegible] risk. Plans are underway to mitigate this risk, although this is a multi-year process.

[illegible]	TO CONDUCT POLICY-DRIVEN RESEARCH, MONITORING, AND EVALUATION OF THE MEDICAL SCHEMES INDUSTRY TO FACILITATE EVIDENCE-BASED POLICY RECOMMENDATIONS TO THE HEALTH MINISTRY
Progress Review Statement	For the period under review, the CMS provided policy and technical support to NDoH on several projects as per Section 7 of the Act. The CMS [illegible] support for collecting HIV/TB data from medical schemes in support of SANAC, where CMS collects this data bi-annually. Furthermore, technical support was provided to the National Health Accounts (NHA) regarding the private sector expenditure data; the report was handed to the Minister for consideration. Support for other policy issues, mainly the development of guidelines for undesirable practices related to [illegible] payments and designated service providers, was also conducted. The CMS published several research articles in peer-reviewed journals, which included the African Vision and Eye Health Journal and The South African Medical Journal. Some of the topics of research included: • Annual General Meetings of Medical Schemes: Importance and Challenges Associated with Limited Member Participation • Eye Care Services and Benefits Paid by Medical Schemes in South Africa • A Review of Entities Contracted to Medical Schemes for Auditing Services in South Africa • Reimagining the Role of General Practitioners as Gatekeepers in South African Healthcare Review, Focusing on Medical Schemes CMS also participated in international and local conferences and industry events.

[illegible]	TO COLLABORATE WITH LOCAL, REGIONAL AND INTERNATIONAL ENTITIES
Progress Review Statement	During the implementation of the CMS [illegible] Strategic Plan, the CMS collaborated with local and regional entities to establish a working relationship between the CMS and the entities and set out the mechanisms for implementation and monitoring of the relationship [illegible]. In addition, the collaboration and relationship with these entities were entered into in the form of a [illegible] of understanding that [illegible] expressed a convergence of will between the CMS and the entities, indicating an intended common line of action and agreement. As a result, the MoUs concluded in the past financial years are as follows: • The South African Institute of Chartered Accountants (SAICA) • Namibia's Financial Institutions Supervisory Authority (NAMFISA) • South African Revenue Services (SARS) • Health Foundation Association (HFA) • Broad-Based Black Economic Empowerment (B-BBEE) Commission • Namibian Association of Medical Aid Funds (NAMAF) • University of Witwatersrand (UW) • Financial Planning Institute (FPI) • Innovative Pharmaceutical Association of South Africa (IPASA) • Health Care Quality Association (HCQA) • Financial Intermediary Association (FIA) • South African Medical Association (SAMA) • Competition Commission (CC) • South African Pharmacy Council (SAPC) It is important to note that the CMS will continue collaborating with various entities to further regulate the medical schemes industry. The CMS is a member of the governing council of SAICA's Committee of Insurance, Securities, and Non-Banking Financial Authorities (CISNA) and regularly participates in its activities. Additionally, the CMS has engaged with key stakeholders, including key online discussions and updates at the [illegible] Forums held in Cape Town and Pretoria.

PROGRAMME 1: ADMINISTRATION

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

- Sub-Programme 1.1: Office of the Chief Executive and Registrar
- Sub-Programme 1.2: Office of the Chief Financial Officer
- Sub-Programme 1.3: Information Communication Technology and Information Management
- Sub-Programme 1.4: Corporate Services
- Sub-Programme 1.5: Council Secretariat

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

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

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

PERFORMANCE

Key Performance Indicators, Planned Targets, and Actual Achievements

Table 2: Sub-programme 1.1 – Key Performance Indicators, Planned Targets, and Actual Achievements

OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/20	AUDITED ACTUAL PERFORMANCE 2020/21	PLANNED ANNUAL TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2021/22	REASONS FOR DEVIATIONS
SUB-PROGRAMME 1.1: OFFICE OF THE CHIEF EXECUTIVE AND REGISTRAR							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
Output 1: Ensure that approved performance information is in accordance with the framework, the strategic and annual performance plans.	Output Indicator 1.1: Ensure that the review and development of a strategic plan and annual performance plan is done for the council's consideration by the 31st of January each year.	New indicator	1	1	1	None	None
	Output Indicator 1.2: Ensure that the overall performance of the entity is 80% of its predetermined objectives.	80.36%	69.18%	80%	88%	8%	The 8% variance is due to the CMS experiencing over achievement in some programmes and under-performance in others.
	Output Indicator 1.3: Ensure that an annual performance information report produced is reliable, accurate, and submitted by 31 July each year, in line with the statutory requirements.	1	1	1	1	None	None

ACHIEVEMENT OF STRATEGIC OBJECTIVES

In the year under review, the CMS submitted the LCBO framework to the Executive Authority for consideration. This marked the culmination of extensive stakeholder engagement, input, and feedback. The CMS achieved an overall performance of 86% against predetermined objectives, an improvement compared to its performance during the COVID-19 years. Furthermore, this performance outcome has been achieved despite the organisation still facing various resource constraints.

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

LINKING PERFORMANCE WITH BUDGETS

Table 3: Sub-programme 1.1 : Linking performance with budget

	2023/2024			2022/2023		
OFFICE OF THE CEO	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Administrative Expenses						
Printing and stationery	15	14	1	5	2	3
Subscriptions	58	57	4	55	53	2
	71	66	5	60	55	5
Operating Expenses						
Consulting*	816	249	567	1 569	219	1 350
Labour relations costs	1 408	1 648	(240)	1 924	343	1 581
Postage and courier	(3)	-	(6)	2	-	2
Travel and subsistence*	203	161	42	125	131	(6)
Venue and catering	79	115	(36)	109	113	(4)
	2 526	2 173	333	3 729	806	2 923
Staff costs						
Salaries*	6 469	6 760	129	6 329	6 639	(310)
TOTAL	8 666	8 999	467	9 118	6 500	2 618

*Costing error amended in 2023/24

SUB-PROGRAMME 1.2: OFFICE OF THE CHIEF FINANCIAL OFFICER (CFO)

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

PERFORMANCE

Key Performance Indicators, Planned Targets, and Actual Achievements

Table 4: Sub-programme 1.2 - Key Performance Indicators, Planned Targets, and Actual Achievements

Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from planned target to Actual Achievement 2023/24	Reasons for deviations
SUB-PROGRAMME 1.2: OFFICE OF THE CHIEF FINANCIAL OFFICER							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
Output 3: Ensure that reported financial information is useful and reliable and in accordance with the expenditure management and reporting framework.	Output Indicator 3.1: An unqualified opinion issued by the Auditor-General of South Africa on the annual financial statements by 31 July each year.	1	1	1	1	None	None
Output 4: Ensure effective financial management and the alignment of budget allocation with strategic priorities	Output Indicator 4.1: Review, develop, and implement a funding model that addresses the long-term strategic outcomes of the CMS by the end of each year.	New indicator	0	1	0	-1	The process has been delayed as the CMS is dependent on a response from the Department of Health relating to the re-imposition of levies as per the Levies Act.
	Output Indicator 4.2: Produce a budget that is approved by Council by 31 January each year.	1	1	1	1	None	None

ACHIEVEMENT OF STRATEGIC OBJECTIVES

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

The CMS is actively working on an alternative funding model that will ensure the organisation's long-term sustainability and sufficient reserves to minimise the risk of limited funding to fully execute the CMS mandate and operations. The CMS has requested that the National Department of Health re-impose levies in line with the Levies Act. The target, as per the 2023/24 APP, was not met due to the project's dependency on a response from the Department of Health relating to the re-imposition of levies as per the Levies Act. This project has been carried over to the 2024/25 APP. The CMS will have more robust and proactive engagements with the National Department of Health to fast-track the decision-making process relating to the funding model.

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE	CHANGES TO PLANNED TARGETS
The target as per the 2023/24 APP (an approved funding model) has not been met due to the project's dependency on a response from the Department of Health relating to the re-imposition of levies as per the Levies Act. This project has been carried over to the 2024/25 APP. The technical indicator descriptor will be amended to factor in the possibility of the input not being received in time. Further, the CMS will have more robust and proactive engagements with the National Department of Health to fast-track the decision-making process relating to the funding model.	There were no changes to planned targets for this sub-programme during the year under review.

LINKING PERFORMANCE WITH BUDGETS

Table 3: Sub-programme 1.2 - Linking performance with budget

	2023/2024			2022/2023		
OFFICE OF THE CFO	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Administrative Expenses*						
Bank charges	120	85	35	115	62	53
General administrative expenses	10	2	8	84	3	81
Insurance	950	901	49	632	298	334
Printing and stationery	433	28	405	106	69	37
Subscriptions	31	19	12	20	22	(2)
Settlement discount					207	(207)
Debt impairment					339	(339)
	1 544	1 035	509	957	1 000	(43)
Operating Expenses						-
Consulting	690	189	501	1 382	56	1 326
Postage and courier	0	-	0	7	-	7
Travel and subsistence	2	(0)	2	8	1	7
Venue and catering	29	17	12	39	5	34
	721	206	515	1 436	62	1 373
Staff costs						
Employee benefits	4 088	3 889	199	3 827	3 444	383
Salaries	12 260	12 110	150	8 674	10 016	(1 142)
Workman's compensation	274	159	115	250	96	154
	16 627	16 158	469	12 951	13 556	(605)
TOTAL	18 892	17 399	1 493	15 344	14 618	726

*Administrative expenses were not included in the 2022/23 Annual Report.

SUB-PROGRAMME 1.3: INFORMATION COMMUNICATION TECHNOLOGY AND INFORMATION MANAGEMENT

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

PERFORMANCE

Key Performance Indicators, Planned Targets, and Actual Achievements

Table 4: Sub-programme 1.3 - Key Performance Indicators, Planned Targets, and Actual Achievements

Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from planned target to Actual Achievement 2023/24	Reasons for deviations
SUB-PROGRAMME 1.3: INFORMATION COMMUNICATION TECHNOLOGY AND INFORMATION MANAGEMENT							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION.							
Output 5: An optimised ICT infrastructure that ensures information is available, accessible, and protected.	Output Indicator 5.1: Percentage of network uptime.	99%	97%	95%	99%	4%	The sub-programme exceeded the target because the primary and secondary links have been available, and the fail-over between the primary and secondary links has been stable as failover tests are conducted every three months.
	Output Indicator 5.2: Percentage of IT security incidents (breaches).	5%	6%	6%	0%	6%	The target is overachieved because no security breaches were reported during the year under review.
	Output Indicator 5.3: Number of successful IT Disaster Recovery (DR) failover tests.	3	3	2	2	None	None
Output 6: Provide software applications that serve both internal and external stakeholders and improve business operations and performance.	Output Indicator 6.1: Percentage of uptime in business-critical application systems (server uptime).	99%	99%	99%	99%	None	None

ACHIEVEMENT OF STRATEGIC OBJECTIVES

The CMS ICT department has crafted an ICT digital strategy for the digital transformation journey of the CMS organisation. A project prioritisation roadmap has been determined to address the pressing needs of the CMS' legacy systems. These projects have had funds allocated to them over a multi-year period due to the urgency to replace, revamp, and upgrade the ICT environment. The legacy ICT environment poses significant risks to the CMS organisation's main capabilities; therefore, an immediate diagnostic was conducted to provide insight into the year-on-year modernisation plan.

The ICT policies are also under review as per the ICT governance framework. The ICT digital strategy was warmly welcomed by the CMS governing committees and is in progress with its approval processes. The ICT environment remains volatile with mitigation strategies in place to circumvent issues that may arise in the interim periods until systems are replaced and revamped.

The ICT team has had several workshops and engagements within its structures to ensure alignment and buy-in of the ICT digital journey and to improve the digital maturation culture of the organisation. ICT has updated its APP per the new financial year to monitor and track the progress of the digital transformation journey.

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE	CHANGES TO PLANNED TARGETS
There was no underperformance for the period under review	There were no changes to planned targets for this sub-programme during the year under review

LINKING PERFORMANCE WITH BUDGETS

Table 7: Sub programme 1.2 - Linking performance with budget

	2023/2024			2022/2023		
INFORMATION TECHNOLOGY AND KNOWLEDGE MANAGEMENT	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Administrative Expenses						
General administrative expenses*	514	449	65	708	635	133
Printing and stationery	19	7	12	17	6	11
Rent: Copiers	504	106	398	403	201	203
Security	599	595	4	573	568	5
Subscriptions	21	13	8	-	-	-
Telecommunication expense	11 258	9 827	1 431	8 473	7 770	695
	12 915	10 997	1 918	10 174	9 159	1 015
Operating Expenses						
Consulting	141	470	(329)	652	1 024	(372)
Knowledge management	1 958	1 134	824	1 296	854	442
Travel and subsistence	30	28	2	6	-	6
Venue and catering	22	10	12	-	-	-
	2 151	1 642	509	1 953	1 878	75
Staff costs						
Salaries*	15 541	13 860	1 681	13 132	12 473	659
	15 541	13 860	1 681	13 132	12 473	659
TOTAL	30 607	26 499	4 108	25 260	23 510	1 750

*Costing across several in 2022/23

SUB-PROGRAMME 1.4: CORPORATE SERVICES

The purpose of the sub-programme is to:

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

PERFORMANCE

Key Performance Indicators, Planned Targets, and Actual Achievements

Table 4: Sub-programme 1.4 – Key Performance Indicators, Planned Targets and Actual Achievements

Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from planned target to Actual Achievement 2023/24	Reasons for deviations
SUB-PROGRAMME 1.4: CORPORATE SERVICES							
Output 7: Legal advisory and support services for effective regulation of the industry and operations of the office.	Output Indicator 7.1: Percentage of written and verbal legal opinions provided to internal and external stakeholders attended to within 14 days.	6m1	100%	8m1	10m1	1m	The sub-programme exceeded its target due to strict adherence to turnaround times and mentoring legal advisors on efficient drafting of opinions, resulting in the industry's delivery of opinions on time and with greater quality assurance.
Output 8: Defending decisions of the Council and the Registrar.	Output Indicator 8.1: Percentage of court and tribunal appearances in legal matters received and duly attended by the unit within 14 days.	100%	100%	100%	100%	None	None
Output 9: Build competent, loyal and motivated employees.	Output Indicator 9.1: Maximise the staff turnover rate to less than 15% per annum.	9.5%	13.67%	Smaller than 15%	10.48%	4.52%	Improvement on the previous release of vacancy adverts.
	Output Indicator 9.2: Average number of days to fill a vacancy (achievement time of 90 working days for each vacancy that exists during the year), excluding the positions of CEO and Executives.	450 days	154 days	90 days	86 days	4 days	Improved on releasing quality documents, setting up accurate panels, and fast-tracking approval memoranda.

Table 8: Sub-programme 1.4 – Key Performance Indicators, Planned Targets and Actual Achievements (continued)

Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from planned target to Actual Achievement 2023/24	Reasons for deviations
SUB-PROGRAMME 1.4: CORPORATE SERVICES (CONTINUED)							
Output 10: Optimise performance to improve organisational efficiency, and maintain a high-performance culture.	Output Indicator 10.1: Percentage of employees' performance agreements signed by 31 May each year (excluding employees out of office on extended absence).	100%	98%	95%	99.19%	4.19%	Regular reminders were sent via email and WhatsApp to employees.
	Output Indicator 10.2: Percentage of employees performance assessment conducted bi-annually (excluding employees out of office on extended absence).	99.73%	98.18%	95%	97%	2%	Target exceeded due to consistent follow-up to ensure timely signing and submission of performance contracts.
Output 11: Ensure maximisation of the coordination of various planning efforts that are undertaken in relation to the CMS facilities.	Output Indicator 11.1: Develop an Office Capacity and Utilisation Report by 30 June each year.	New Indicator	1	1	1	None	None
Output 12: To create awareness and collaborate with stakeholders while enhancing the visibility and protecting the reputation of the CMS.	Output Indicator 12.1: Number of stakeholder awareness activities conducted.	67	30	35	51	16	Target exceeded due to frequent CMS visibility and marketing activities undertaken.
	Output Indicator 12.2: Percentage of stakeholder awareness of the CMS resulting from a survey.	57%	65%	65%	45%	-20%	The awareness variable was not properly aligned in the survey.
Output 13: CMS must ensure that an annual report is submitted to the Executive Authority five months after the end of a financial year.	Output Indicator 13.1: Submission of the CMS Annual Report by 31 August to the Executive Authority.	1	1	1	1	None	None

ACHIEVEMENT OF STRATEGIC OBJECTIVES

The legal opinion indicator under this programme was under-reported in the quarterly reports. However, this has since been corrected in the annual performance information report and verified with the internal auditors to provide the assurance required. Therefore, it was resolved that a central repository tool on SharePoint should be used for the development of a reporting template. The Legal Services Unit continues to achieve and maintain prompt legal services of high quality while employing every possible innovation and technique to ensure the most effective legal protection for members of medical schemes.

The CMS' workforce profile for the reporting year ended 31 March 2024 totalled 139 employees, comprising 125 permanent and five-year fixed-term contract appointments, nine on work-integrated learning, and five on fixed-term contracts. 16 vacancies were successfully filled, of which six were filled by internal candidates and five were filled by employees who were appointed on work-integrated learning programmes or completed their fixed-term contracts. The organisation also experienced 13 terminations due to career progression, death, and internal movements.

The CMS has established a collective bargaining forum through a signed organisational rights agreement. The CMS and National Education, Health and Allied Workers' Union (Nehawu) are the main parties in the agreement and have been consulting each other on various organisational and employment conditions matters. During the reporting period, management and organised labour concluded a wage agreement for the 2024/25 financial year. Furthermore, CMS did not register disciplinary action against employees during the reporting period.

During the reporting period, the CMS accelerated its communication, marketing, and stakeholder relations engagement activities. The contribution to increasing CMS appeal to the public was achieved through media engagements, podcasts, market facilitation, social media postings, and stakeholder engagements. The growing presence of the CMS in the public and media domain was a positive indicator of the effectiveness of its marketing message filtering and relevance.

COMMUNICATION

Monthly media reports highlighted a big increase in CMS mentions on matters related to health and private healthcare. During the reporting period, the CMS produced and disseminated 21 press statements or media advisories, 20 media responses, two media briefings, three public opinions published, and 18 media interviews. Collectively, quarterly media monitoring reports highlighted the positive performance of the CMS media presence, reaching an average audience of [illegible] million.

Communication activities were also undertaken specifically related to informing medical scheme members. Internally, four Medscheme [illegible] newsletters were published. As part of the national youth commemoration, the CMS celebrated Youth Month by profiling its youth. During the same period, female employees were profiled during Women's Month. Both campaigns received positive feedback.

The annual report of the CMS was published without delay. Additionally, the CMS introduced the idea of having employees, who are subject matter experts, share their knowledge through a series of articles. This approach received wide interest from other stakeholders interested in working with the CMS. A member survey was conducted during this period. Compared to the previous year, the number of participants in the survey increased from 30 000 to 60 000. However, the majority of member survey participants were not aware of the CMS. Altogether, this contributed to raising awareness of the CMS at the medical scheme level, and more engagements or collaborations with the schemes were created.

MARKETING

Compared to previous years, the CMS posted 60 social media posts, generating an estimated 190 304 viewers online across all social media accounts. LinkedIn was the most preferred method of online marketing based on the audience type. In the previous reporting period, the number of LinkedIn followers was below 2 000. By the end of the period under review the number of followers had increased to 5 108. This figure was reached without any online advertising. During the same period, the CMS continued to pilot market facilitation (exhibitions and road shows) by engaging with members of the medical schemes on the ground.

STAKEHOLDER RELATIONS

The CMS took the Minister of Health into his confidence and finally handed over the LOBO Report. A total of 13 formal stakeholders' relations engagements were convened, namely PO and BOT Forum, Joint Advisory and Technical PMB Committee, University of Pretoria, B-BBEE Commission, Namibian Association of Medical Aid Funds (NAMAF), FSCA, NDOH, FPI, HPCSA, HFA, MedChi, SAPC, and Federation of Insurance Associations (FIA).

[illegible]	[illegible]
Output indicator 1.3: Undertake a review of the methodology of the survey. Further, identify CMS beneficiary areas and advocacy and educational agenda [illegible]	There were no changes to planned targets for this sub-programme during the year under review.

LINKING PERFORMANCE WITH BUDGETS

Table #: Sub-programme 1.x - Linking performance with budget

CORPORATE SERVICES	2023/2024 BUDGET R'000	2023/2024 ACTUAL EXPENDITURE R'000	2023/2024 (OVER)/UNDER EXPENDITURE R'000	2022/2023 BUDGET R'000	2022/2023 ACTUAL EXPENDITURE R'000	2022/2023 (OVER)/UNDER EXPENDITURE R'000
Administrative Expenses						
Building expenses*	1 975	2 064	(89)	2 122	2 044	78
General administrative expenses	282	176	106	320	135	185
Printing and stationery*	178	122	56	153	103	50
Refreshments	-	-	-	39	-	39
Rent*	14 601	13 944	657	14 815	11 690	3 125
Rent: Operating expenses*	3 140	3 149	(9)	2 832	3 244	(392)
Subscriptions	297	192	105	228	120	108
	20 473	19 667	818	20 689	17 336	3 264
Operating Expenses						
Consulting*	1 000	850	150	913	369	544
Legal fees	11 232	10 146	1 086	9 530	6 802	2 728
Legal fees-Section 58	3 080	1 975	1 105	1 000	-	1 000
Postage and courier*	10	-	10	22	19	3
Exhibition costs	40	37	3	94	42	52
Media and promotion*	1 500	1 206	294	2 038	1 451	587
Printing and publication	300	229	71	973	531	442
Travel and subsistence*	282	163	119	193	157	36
Venue and catering	156	101	55	443	195	248
	17 700	14 707	2 993	15 206	9 159	6 048
Staff costs						
Employee wellness*	391	397	(6)	326	280	46
Recruitment and relocation	960	513	447	1 548	1 317	231
Salaries*	20 098	19 866	232	16 730	17 051	(321)
Staff training*	2 418	1 985	433	1 667	1 594	73
Temporary staff	4 106	3 985	121	2 003	1 986	17
	27 973	26 676	1 187	22 274	22 228	46
TOTAL*	66 645	61 609	5 035	58 689	48 738	9 358

*Cost figures amended in 2022/23

SUB-PROGRAMME 1.5: COUNCIL SECRETARIAT

The purpose of this programme is to provide corporate governance services to the Council as an accounting authority and its committees. The Council Secretariat also provides support to the independent appeals board and ensures that all rulings are communicated to key stakeholders. The programme seeks to achieve the above objective through seamless board administration, secretarial services, and support.

PERFORMANCE

Key Performance Indicators, Planned Targets, and Actual Achievements

Table 18: Sub-programme 1.5 - Key Performance Indicators, Planned Targets, and Actual Achievements

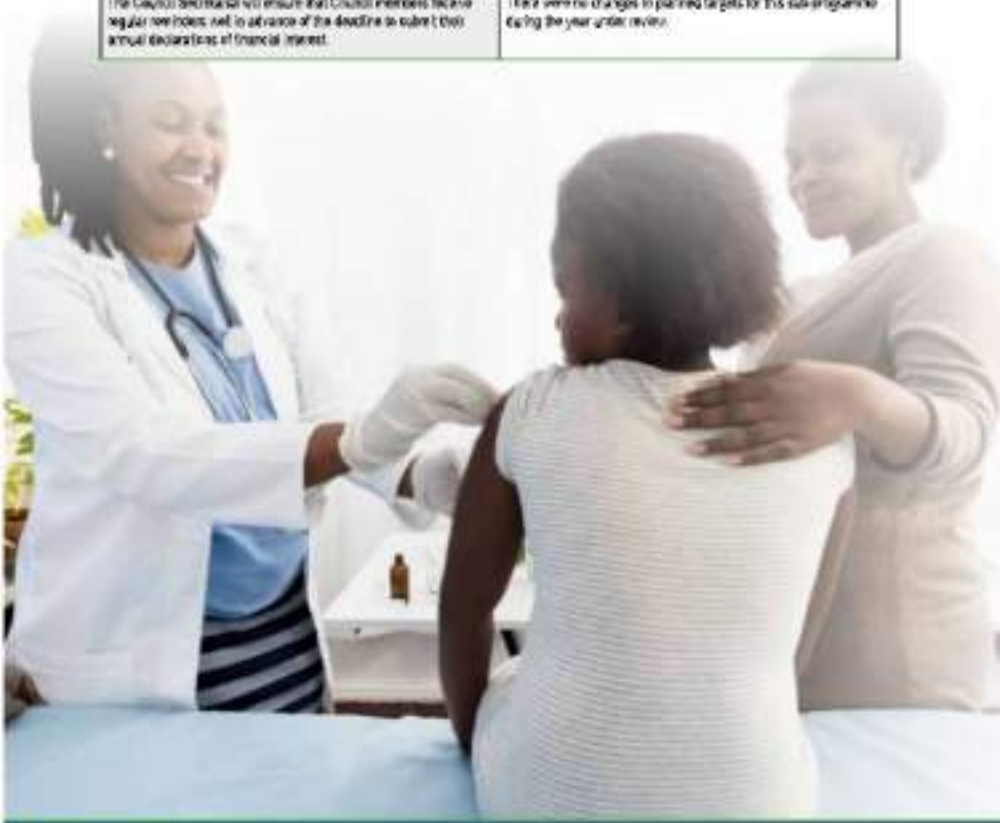
Output	Output Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from planned target to Actual achievement 2023/24	Reasons for deviations
SUB-PROGRAMME 1.5: COUNCIL SECRETARIAT							
OUTCOME 4: TO BECOME A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
Output 14: Corporate governance, secretariat and board administration support, and legal services to effective governance are provided to the Accounting Authority.	Output Indicator 14.1: Complete meeting packs are to be circulated at least seven days before the meeting	New indicator	New indicator	80%	20%	-60%	The unfavourable variance is due to receiving documents late from the subdivisions.
	Output Indicator 14.2: Minutes of the Council and Committee meetings to be circulated to the subsequent meeting	New indicator	New indicator	80%	80%	10%	The target was exceeded due to all the minutes being submitted. Many of the minutes relate to special meetings.
	Output Indicator 14.3: Percentage of communicated council resolutions within three days of the meeting to the affected internal stakeholders.	New indicator	100%	100%	100%	None	None
	Output Indicator 14.4: Number of ruling-sessions held for council and/or committees	New indicator	1	1	1	None	None
	Output Indicator 14.5: Percentage of signed annual declarations of financial interest by Council Members, excluding Council members out of office on an extended absence.	New indicators	100%	90%	86%	-4%	The target was not met due to three members failing to submit Annual Declarations of Financial Interests on time.
Output 15: Support dispute resolution issues in furtherance of Council and MMA objectives.	Output Indicator 15.1: Support the publication of rulings of the Appeals Committee and the Appeal Board within 14 days of receipt from the presiding officers	75%	100%	70%	75%	None	None

ACHIEVEMENT OF STRATEGIC OBJECTIVES

The sub-division saw the end of the term of the last Council on 15 November 2023 and ushered in the new Council after its appointment on 15 November 2023. The new Council was inducted in a series of workshops to ensure that it properly understood the business of the CMS and the strategic mandate of regulating the private healthcare system. Due to the nature of the organisation's business, the Council had to hold many meetings to ensure that all issues that required its governance oversight were attended to. The sub-division was able to deliver on four of the output indicators out of six.

The non-achievement in the first output indicator in question was due to the late submission of information documents by the executive management. Management is working on a plan to overcome this difficulty. Such a plan will include sufficient spacing of meetings to afford management sufficient time to deliver complete and accurate information to the sub-division for the purposes of the Council pack. The problem of the failure to complete and submit annual declarations of interest by certain members has also contributed to the non-achievement of the relevant output indicator.

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE	CHANGES TO PLANNED TARGETS
The Council Secretariat will ensure that Council members receive regular reminders well in advance of the deadline to submit their annual declarations of financial interest.	There were no changes to planned targets for this sub-programme during the year under review.



LINKING PERFORMANCE WITH BUDGETS

Table 11: Sub-programme 1.5 - Linking performance with budget

	2023/2024			2022/2023		
COUNCIL SECRETARIAT	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Administrative Expenses						
Printing and stationery	20	10	10	34	7	27
Subscriptions*	57	-	57	55	28	27
	77	10	67	89	35	54
Operating Expenses						
Consulting	781	394	387	1 055	423	632
Committee remuneration*	480	319	161	-	292	(292)
Council member fees*	4 320	4 433	(113)	5 715	3 916	1 799
Postage and courier	20	2	18	46	-	46
Transcription services	83	34	29	75	25	48
Travel and subsistence	197	64	133	144	44	100
Venue and catering	529	225	304	243	238	5
	6 390	5 471	918	7 278	4 938	2 338
Staff costs						
Salaries*	2 914	2 792	122	1 847	2 246	(299)
Training*	463	243	220	390	76	284
	3 377	3 035	342	2 387	2 322	(15)
TOTAL*	9 844	8 516	1 328	9 672	7 295	2 377

*Costing across secretariat in 2023/24

PROGRAMME 2:
STRATEGY, PERFORMANCE AND RISK

The purpose of this programme is:

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

PERFORMANCE

Key Performance Indicators, Planned Targets and Actual Achievements

Table 17: Programme 2 - Key Performance Indicators, Planned Targets and Actual Achievements

OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/22	AUDITED ACTUAL PERFORMANCE 2022/23	PLANNED ANNUAL TARGET 2023/24	ACTUAL ACHIEVEMENT 2023/24	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2023/24	REASONS FOR DEVIATIONS
PROGRAMME 2: STRATEGY, PERFORMANCE AND RISK							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
Output 10: Ensure the strategic, organisational, project and annual plans are in place.	Output Indicator 10.1: Development and maintenance of a Strategic Projects Register	New Indicator	1	1	1	None	None
	Output Indicator 10.2: Scope and develop plans for strategic projects.	New Indicator	95.00%	100	None exists for new strategic projects were received for the period under review	None	None

Table 12: Programme 2 - Key Performance Indicators, Planned Targets and Actual Achievements (continued)

OUTPUT	OUTPUT INDICATOR	AUDITED/ACTUAL PERFORMANCE 2022/23	AUDITED/ACTUAL PERFORMANCE 2023/24	PLANNED ANNUAL TARGET 2024/25	ACTUAL ACHIEVEMENT 2024/25	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024/25	REASONS FOR DEVIATIONS
PROGRAMME 2: STRATEGY, PERFORMANCE, AND RISK (CONTINUED)							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION.							
Output 17: Compile performance information in accordance with the Framework for Strategic and Annual Performance Plans.	Output Indicator 17.1: Produce Quarterly Performance Information report that is reliable, accurate, and complete at the time of submission to the Executive Authority by the end of the month following the quarter.	New indicator	4	4	4	None	None

ACHIEVEMENT OF STRATEGIC OBJECTIVES

The CMS conducted its annual strategic risk rating workshop and risk maturity assessment during the year under review, jointly between the Council, the Audit and Risk Committee, and the CMS management. The governance structures continued to exercise their oversight over the organisation's strategic risks. The organisation submitted its annual performance plan for the 2024/25 financial year on 31 January 2024. The CMS continues to institutionalise its project management methodology with a view to fast-tracking special strategic projects.

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE	CHANGES TO PLANNED TARGETS
There was no underperformance for the period under review	There were no changes to planned targets for this sub-programme during the year under review.

LINKING PERFORMANCE WITH BUDGETS

Table 13: Programme 2 - Linking performance with budget

STRATEGY, PERFORMANCE AND RISK	2023/2024			2022/2023		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Administrative Expenses						
Printing and stationery	(0)	-	(3)	3	-	3
Subscriptions	-	3	(3)	5	4	1
	(0)	3	(3)	8	4	4
Audit remuneration						
External audit*	1 030	914	86	1 000	871	129
Internal audit	1 699	1 313	386	1 499	1 137	362
	2 699	2 227	472	2 499	2 008	491
Operating expenses						
Travel and subsistence	22	-	22	50	13	37
Venue and catering	40	-	40	90	9	81
Printing and Publication*	100	-	100	100	44	56
	162	-	162	240	66	174
Staff costs						
Salaries	-	-	-	3 095	-	3 095
	-	-	-	3 095	-	3 095
TOTAL*	2 861	2 230	631	5 752	2 078	3 674

*Qualifying errors amended in 2022/23

PROGRAMME 3: REGULATION

The purpose of the programme is to:

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

PERFORMANCE

Key Performance Indicators, Planned Targets, and Actual Achievements

See in Programme 3: Key Performance Indicators, Planned Targets, and Actual Achievements

OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2020/21	AUDITED ACTUAL PERFORMANCE 2021/22	PLANNED ANNUAL TARGET 2022/23	ACTUAL ACHIEVEMENT 2022/23	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2022/23	REASONS FOR DEVIATIONS
PROGRAMME 3: REGULATION							
OUTCOME 3: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE MSA, AND REGULATIONS							
Output 1.1: Accredited applicants based on their compliance with the requirements for accreditation in order to provide accredited services and monitor legal compliance throughout the period of accreditation.	Output Indicator 1.1.1: Percentage of broker and broker organisation applications evaluated within 20 working days per quarter on receipt of complete information.	97.6%	84.9%	95%	88.89%	-6.11%	The underperformance resulted more complete applications in the period under review.
	Output Indicator 1.1.2: Percentage of managed care organisation applications analysis completed within 30 working days per quarter on receipt of complete information.	100%	100%	100%	100%	None	None

Table 14: Programme 3 - Key Performance Indicators, Planned Targets and Actual Achievements (continued)

OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/22	AUDITED ACTUAL PERFORMANCE 2022/23	PLANNED ANNUAL TARGET 2023/24	ACTUAL ACHIEVEMENT 2023/24	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2023/24	REASONS FOR DEVIATIONS
PROGRAMME 3: REGULATION							
OUTCOME 3: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE MSA AND REGULATIONS							
Output 18: Accredit regulated entities based on their compliance with the legal requirements for accreditation in order to provide accredited services and monitor legal compliance throughout the period of accreditation.	Output Indicator 18.3: Percentage of administrative and self administering activities' application analysis completed within three months of receipt of complete information.	100%	100%	100%	100%	None	None
Outcome 19: To ensure that the roles of the schemes are simplified, standardised, fair and compliant with the Medical Schemes Act (1998).	Output Indicator 19.1: Percentage of interim risk assessments processed within 14 working days of receipt of all information.	97.9%	80.3%	90%	76.4%	-13.6%	The processing of submissions was delayed due to complex rule amendments and the absence of a case management system.
	Output Indicator 19.2: Percentage of annual rule assessments processed before 31 December of each year.	100%	97.1%	90%	100%	+10%	The sub-programme achieved its target by effectively managing processes.
Output 20: Inspect regulated entities for routine monitoring of compliance with the Medical Schemes Act, 1998, and all other related laws.	Output Indicator 20.1: Number of draft inspection reports issued annually.	New indicator	10	10	10	None	None
Output 21: Investigate regulated entities for alleged irregularity or non-compliance with the Medical Schemes Act (1998) and all other related laws.	Output Indicator 21.1: Percentage of completed inspections finalised within 12 months from the date the appointment letter was signed.	New indicator	100%	90%	8%	-82%	The unit completed one commissioned inspection during the period. The inspection could, however, not be concluded within the required timeframe due to the scheme requesting an extension to respond to the draft report as the previous officer resigned.

Table 14: Programme 3 - Key Performance Indicators, Planned Targets and Actual Achievements (continued)

OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/20	AUDITED ACTUAL PERFORMANCE 2020/21	PLANNED ANNUAL TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2021/22	REASONS FOR DEVIATIONS
PROGRAMME 3: REGULATION							
OUTCOME 3: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE SRA, AND REGULATIONS							
Output 32: Ensure enforcement action is undertaken against regulated entities.	Output Indicator 32.1: Percentage of enforcement actions undertaken during the period.	100%	94%	70%	93%	23%	The unit received 54 enforcement actions and completed 50.
Output 33: Recognition and monitor the governance systems of medical schemes and other regulated entities.	Output Indicator 33.1: Percentage of governance interventions implemented during the period.	100%	100%	70%	97%	27%	The unit received more governance interventions as planned and, due to the monthly Exco meetings, managed to submit all matters within the required timeframes.
	Output Indicator 33.2: Number of scheme member meetings (in-person including virtual meetings)	51	52	44	40	-4	The unit was unable to attend five AGMs during the reporting period due to ad-hoc action that was undertaken by CMS staff.
Output 34: Monitor and promote the financial soundness of medical schemes.	Output Indicator 34.1: Percentage of business plans processed in respect of Regulation 29.	100%	100%	100%	100%	None	None
	Output Indicator 34.2: Percentage of Section 50(1) decisions prioritised in respect of schemes with rapidly reducing solvency but whose solvency is still above the statutory minimum required solvency).	100%	n/a	100%	100%	None	None
	Output Indicator 34.3: Percentage of auditor applications analysed.	100%	100%	80%	100%	20%	The sub-division created their own Microsoft Forms to facilitate the submissions.
	Output Indicator 34.4: Number of quarterly financial return trends published (excluding quarter four).	3	2	3	0	-3	The quarterly return system was unavailable due to IT system issues.
	Output Indicator 34.5: Number of financial sections prepared for the annual report.	1	1	1	1	None	None

ACHIEVEMENT OF STRATEGIC OBJECTIVES

THIRD-PARTY ADMINISTRATORS AND SELF-ADMINISTERED SCHEMES

- One new administrator accreditation, five administrator accreditation renewals, one self-administered scheme compliance certificate renewal, and two new limited administrator accreditation applications were finalised during the 2023/24 financial year.
- Two on-site evaluation findings reports are to be finalised, and one on-site evaluation, which commenced in March 2023, is to be concluded in the 2024/25 financial year.
- The face-to-face sub-programme was delayed 6 months due to unforeseen circumstances by accredited entities with conditions imposed and continued financial soundness.

MANAGED CARE ORGANISATIONS

- Fifteen (15) accreditation renewal applications and one new managed care compliance certificate evaluation (in respect of a medical scheme providing its own managed care services) were finalised during the year under review.
- One new managed care organisation accreditation application was evaluated, and accreditation was refused due to the entity not providing managed care services as defined and, therefore, not meeting to be accredited.
- One managed care organisation was declared to have its accreditation as the company had ceased to operate and was in the process of being deregistered.
- Two on-site evaluation findings reports are to be finalised, and one on-site evaluation, which commenced in March 2023, is to be concluded in the 2024/25 financial year; and
- The Accreditation Regulations continued to monitor compliance by accredited entities with conditions imposed and continued financial soundness.

BROKERS AND BROKER ORGANISATIONS

The sub-programme continued to verify the verification reports of individuals applying to be accredited as brokers and undertook fully verified bi-verification reports submitted by sub-units in the period under review.

Of the 6 398 broker and broker organisation applications received in the period under review 4 781 were accredited within 30 working days of receipt of complete information, resulting in an over-achievement of 66.39% against the target of 60%.

The Minister of Health announced an increase in the maximum amount payable in terms by medical schemes in respect of broker clients who are members of medical schemes, in terms of Section 65 of the MSA. The amount was increased to R118,74 per member per month, with effect from 1 January 2024. A circular to this regard was published on the CMS website.

COMPLIANCE AND INVESTIGATIONS

During the reporting period, the unit attended annual general meetings to observe the meeting proceedings. Schemes convened either virtual, in-person, or hybrid AGMs. The sub-programme had planned to attend 44 AGMs but only attended 40 AGMs due to short-notice that was a limitation by the CMS staff during July 2023.

The Demarcation Exemption Framework was developed for the purpose of providing exemption for schemes and their respective PSPs, which provide exemptions to products that meet the definition of 'business of a medical scheme' according to the MSA. This is an interim measure while the LCBO Guidelines are developed.

The revised Demarcation Framework was published via Circular 14 of 2024. The framework was submitted to the NEDLAC, the National Treasury, the PA, and the Financial Sector Conduct Authority for comment is. The purpose of the exercise was to allow for the industry of the extension of the demarcation exemption period by a further one year, from 1 April 2024 to 31 March 2025. The extension is a contingency while the office awaits the Minister's decision regarding the LCBOs.

The Registrar instituted ten routine inspections into the affairs of various medical schemes in terms of Section 44(4)(b) of the MSA and/or Sections 134 and 135 of the Financial Sector Regulations Act.

BENEFITS MANAGEMENT

The sub-programme aims to create harmony in processing schemes' rules, of ensuring marketing materials, and providing guidance on contribution increases and benefit changes. This contributes to the CMS objective of efficiently regulating schemes in accordance with the MSA.

The overall operations of medical schemes, including contribution rates, benefits, and governance, are based on the regulatory scheme's rules. This sub-programme is critical in helping the CMS fulfil its mandate of protecting the interests of members/beneficiaries/dependants by ensuring that the rules are fair and consistent with the Act.

During the review period, the sub-division successfully met the target for the approval of benefit and contribution changes, 100% of which were processed before 31 December 2023. However, the target for rule amendments was not achieved, with a performance of 73.9% against a planned target of 80% for the 2023/24 financial year.

FINANCIAL SUPERVISION

Regulation 28 of the SIA prescribes that the minimum accumulated funds of medical schemes should be at least 25% of gross contributions to ensure that benefit duties (claims) are protected and to guarantee the continued operation of the scheme, ensuring that it is able to pay members' claims when due.

The prescribed solvency ratio acts as a buffer against unforeseen large-scale health events, such as the COVID-19 pandemic. Where reserves fall below the prescribed solvency ratio, it serves as a warning that the medical scheme will possibly be unable to meet its obligations. The schemes that fell below the minimum required statutory solvency level were placed under close monitoring and submitted business plans detailing their turnaround strategies. As an additional measure, schemes with solvency above 25% but with rapidly reducing solvency (referred to as Type II and Type III) are identified, requested to provide turnaround strategies, and are also closely monitored. In the period under review, two schemes fell below the minimum required statutory solvency levels.

Annual statutory returns form the basis of the financial analysis prepared for annual reports. These were the significant analysis findings for the 2022 annual statutory returns submitted by medical schemes and the medical scheme industry remained above the statutory solvency requirement of 25% overall:

- The CMA requires that the annual financial statements of medical schemes be audited. The reliance that is placed on the information contained in the annual financial statements is high, and it is therefore important to ensure not only the quality of audits but also that auditors are familiar with the very complex medical scheme environment. During the auditor approval process, the capabilities of the proposed audit firms and individual auditors was assessed. The programme ensures that all medical schemes appoint auditors who have the experience and qualifications required to perform the audit of medical schemes.
- The Quarterly Return System serves as the core of the CMS' Early Warning System and enables the continuous monitoring of schemes to help them submit plans in ensure the CMA to respond timeously and appropriately to challenges, in interact with the management of schemes, and to ensure the ongoing protection of members. However, it should be noted that IT system failures experienced in the current financial year resulted in no submission of quarterly return data. The Council has therefore made use of the real-time monitoring system's data submissions (which represent high-level data) to serve as a replacement early warning system.

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE	CHANGES TO PLANNED TARGETS
Output Indicator 18.1: Performance will be closely monitored to ensure continuous improvement. A new management system will be acquired to assist with rule processing.	There were no changes to planned targets for this sub-programme during the year under review.
Output Indicator 21.1: The performance target has been revised to include staff movement reports to account for potential delays in finalising the termination movement reports due to activities being taken in-house.	
Output Indicator 23.2: Performance will be closely monitored, as it is not anticipated that staff promotions will take place during the 2024/25 financial year. The sub-division always monitors the schemes' meeting target, however, the staff complement beyond the sub-directorate level.	
Output Indicator 24.4: ICT is not fully operational, and due to the prioritisation of the annual statutory returns, ICT was unable to roll out the quarterly return for the 2023 calendar year. The sub-division has received a commitment from ICT to roll out the system in 2024 with minimum changes.	

LINKING PERFORMANCE WITH BUDGETS

Table 15: Programme 3 - Linking performance with budget

	2023/2024			2022/2023		
REGULATION	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Administrative Expenses						
Printing and stationery	73	34	39	78	41	37
Subscriptions	131	61	70	99	85	14
	204	95	109	177	126	51
Operating Expenses						
Consulting	54	-	54	41	-	41
Inspection costs*	1 400	515	885	2 635	406	2 229
Travel and subsistence	454	535	(81)	579	266	313
Venue and catering	44	6	38	37	-	37
	1 952	1 056	896	3 292	672	2 620
Staff costs						
Salaries*	43 538	42 960	578	36 596	36 176	420
	43 538	42 960	578	36 596	36 176	420
TOTAL*	45 694	44 111	1 583	40 065	36 974	3 091

*Costing errors amended in 2023/24

PROGRAMME 4: POLICY, RESEARCH, AND MONITORING

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

PERFORMANCE

Key Performance Indicators, Planned Targets, and Actual Achievements

Table 18: Programme 4 – Key Performance Indicators, Planned Targets and Actual Achievements

OUTPUT	OUTPUT INDICATOR	AUDITED/ACTUAL PERFORMANCE 2020/21	PLANNED ANNUAL TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2021/22	REASONS FOR DEVIATIONS
PROGRAMME 4: POLICY, RESEARCH AND MONITORING						
OUTCOME 3: TO CONDUCT POLICY-ORIENTED RESEARCH, MONITORING AND EVALUATION OF THE MEDICAL SCHEME INDUSTRY TO FACILITATE EVIDENCE-MAKING AND POLICY RECOMMENDATIONS TO THE HEALTH MINISTRY						
Output 13: Conduct research to inform appropriate evidence-based policy interventions.	Output Indicator 13.1: Number of research projects and research project published in support of the National Health Policy	12	17	17	17	None	None
Output 15: Monitoring trends to improve regulatory policy and practice.	Output Indicator 15.1: Non-financial report submitted for inclusion in the annual report	1	1	1	1	None	None
OUTCOME 4: TO PROMOTE THE IMPROVEMENT OF QUALITY AND THE PROTECTION OF CONSUMERS IN THE PRIVATE HEALTHCARE SECTOR.							
Output 17: Formulate Prescribed Minimum Benefits (PMB) definitions to ensure uniform interpretation of benefits and entitlements.	Output Indicator 17.1: The number of benefit information guidelines published.	10	10	5	5	None	None
	Output Indicator 17.2: Developed prescription and primary healthcare package to incorporate into the PMBs.	A primary healthcare package to support the review of the PMBs was developed.	Work in progress	Review and update the review PMB benefit package.	The primary health cost and affordability framework was established.	None	None

ACHIEVEMENT OF STRATEGIC OBJECTIVES

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

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE	CHANGES TO PLANNED TARGETS
There was no underperformance for the period under review.	There were no changes to planned targets for this sub-programme during the year under review.

LINKING PERFORMANCE WITH BUDGETS

Table 17: Programme 4 - Linking performance with budget

	2023/2024			2022/2023		
POLICY, RESEARCH & MONITORING	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Administrative Expenses						
Printing and stationery	5	4	1	3	3	-
Subscriptions	18	10	8	15	15	-
	23	14	9	18	18	-
Operating Expenses						
Consulting*	3 009	1 501	1 508	111	51	60
Travel and subsistence*	17	37	(20)	25	23	2
Venue and catering	4	4	0	2	2	-
	3 030	1 542	1 488	138	76	62
Staff costs						
Salaries*	12 507	12 270	237	9 537	8 290	1 247
	12 507	12 270	237	9 537	8 290	1 247
TOTAL*	15 560	13 826	1 734	9 693	8 384	1 309

*Costing remain unrevised in 2023/23

PROGRAMME 5: MEMBER PROTECTION

The purpose of the programme is to:

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

PERFORMANCE

Key Performance Indicators, Planned Targets, and Actual Achievements

Table 1.8: Programme 5 - Key Performance Indicators, Planned Targets and Actual Achievements

OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/22	AUDITED ACTUAL PERFORMANCE 2022/23	PLANNED ANNUAL TARGET 2023/24	ACTUAL ACHIEVEMENT 2023/24	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT - 2023/24	REASONS FOR DEVIATIONS
PROGRAMME 5: MEMBER PROTECTION							
OUTCOME 5: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE MSA, AND REGULATIONS.							
Output 5B: To enhance knowledge and skills among stakeholders in order to create an in-depth understanding of governance and compliance with the Medical Schemes Act through education and training interventions	Output Indicator 5B.1: Number of stakeholder education and training sessions/fp.	36	66	66	75	21	During the year under review, Education and Training exceeded the planned target because it received more invites from provinces during World Consumer Rights Day Month.
Output 5B: To provide customer care intervention by rendering effective and efficient services	Output Indicator 5B.1: Percentage of customer care interventions resulting from calls and emailed queries handled by the customer care centre.	100%	100%	80%	100%	20%	The overseeing of targets reflects the dedication and hard work invested in rigorous training in calls and the fact that we operate with full staff capacity ensuring optimal efficiency and productivity.
Output 5B: Resolve complaints with the aim of protecting beneficiaries of medical schemes.	Output Indicator 5B.3: Percentage of complaints older than 120 calendar days adjudicated during the reporting period in accordance with complaint standard operating procedures.	New indicator	84.3%	80%	85.5%	5.5%	The planned target was exceeded due to the continued implementation of the backlog reduction strategy.

Table 18: Programme 2 - Key Performance Indicators, Planned Targets and Actual Achievements (continued)

OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/20	AUDITED ACTUAL PERFORMANCE 2020/21	PLANNED ANNUAL TARGET 2021/22	ACTUAL ACHIEVEMENT 2021/22	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2021/22	REASONS FOR DEVIATIONS
PROGRAMME 2: MARKET PROTECTION							
OUTCOME 2: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE PMA AND REGULATIONS. (CONTINUED)							
Output 2.2: Resolve complaints with the aim of prohibiting beneficiation of medical schemes, contracts	Output Indicator 2.2.1: Percentage of category 3 complaints adjudicated within 120 calendar days and in accordance with the approved standard operating procedures.	New Indicator	New Indicator	80%	95.8%	15.8%	The planned target was exceeded due to the prioritisation of early initiation of investigations to ensure completion before complaints aged out of the category.
	Output Indicator 2.2.2: Percentage of category 1 complaints adjudicated within 90 calendar days and in accordance with the approved standard operating procedures.	New Indicator	New Indicator	80%	91.8%	11.5%	The planned target was exceeded due to the ongoing expeditation of the early resolution strategy, which prioritises the adjudication of non-complex complaints as early in the process as possible.
	Output Indicator 2.2.3: Percentage of Rulings submitted to Corporate Services for publication on the CMS website within 30 days following the date of the three-month appeal deadline.	68%	71.1%	80%	88.5%	8.5%	The planned target was exceeded due to the bi-weekly submission reminders and the escalation of an extra measure to assist with weekly quality assurance of rulings ahead of their submission deadlines.
OUTCOME 3: TO PROMOTE THE IMPROVEMENT OF QUALITY AND THE REDUCTION OF COSTS IN THE PRIVATE HEALTH CARE SECTOR.							
Output 3.1: Formulate CMS rules/guidelines	Output Indicator 3.1.1: The number of CMS Rules published	New Indicator	New Indicator	5	10	5	The target was exceeded due to the high number of enquiries from the public seeking clarification on the common conditions contained in PMA exemptions. Additional effort was made to address these requests. This helped reduce the number of queries related to these common conditions.
Output 3.2: Provide timely opinions to resolve complaints and enquiries	Output Indicator 3.2.1: Percentage of category 1 clinical opinions provided within 30 working days of receipt of a request from the Complaints Adjudication Unit.	100%	96.82%	80%	99.52%	19.52%	The target was exceeded due to the implementation of a structured weekly review process and effective allocation of resources.
	Output Indicator 3.2.2: Percentage of category 2 clinical opinions provided within 60 working days of receipt of a request from the Complaints Adjudication Unit.	100%	100%	80%	100%	0%	The target was exceeded due to the implementation of a structured weekly review process and effective allocation of resources.

Table 13: Programme 4: Key Performance Indicators, Planned Targets and Actual Achievements (continued)

OUTPUT	OUTPUT INDICATOR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	REASONS FOR DEVIATIONS
PROGRAMME 4: STAKEHOLDER PROTECTION							
OUTCOME 1: TO PROMOTE THE IMPROVEMENT OF QUALITY AND THE REDUCTION OF COSTS IN THE PRIVATE HEALTH CARE SECTOR (CONTINUED)							
Output 13: Resolved clinical complaints to resolve complaints and enquiries (continued)	Output Indicator 13.3: Percentage of category 2 clinical complaints resolved within [illegible] days of receipt of a request from the complaints adjudication unit.	98%	99%	95%	99%	4%	The target was exceeded due to the implementation of a structured weekly review process and effective allocation of resources.
	Output Indicator 13.4: Percentage of clinical enquiries resolved within [illegible] days of receipt.	98%	99%	95%	99%	4%	The target was exceeded due to the daily review and allocation of cases to the clinical team.

ACHIEVEMENT OF STRATEGIC OBJECTIVES

EDUCATION AND TRAINING

The Education and Training unit is tasked with educating and empowering consumers about the rights, responsibilities, and obligations of medical scheme members. This task also includes, but is not limited to, educating consumers about the CMS, its mandate and functions, as well as its roles and responsibilities. In this financial year, the unit conducted its consumer education and empowerment sessions on virtual and in-person platforms. These sessions were made up of continuing professional development (CPD) programmes for accredited health brokers, induction programmes for the newly appointed board of trustees, and tailor-made training for specific schemes (scheme-specific training).

The Education and Training subdivision has recently introduced training sessions tailored for restricted and open schemes. This initiative aims to enrich the knowledge and skills of the board of trustees across various scheme types. The training for restricted medical schemes or open medical schemes only seeks to create an in-depth understanding of governance and compliance with the Medical Schemes Act and its regulations.

The CMS, in collaboration with the Gordon Institute of Business Science (GIBS), hosted the Trustee Leadership Development Programme. The programme was designed for a one-year study level of National Qualifications Framework (NQF) level 8. The structure and setting of the programme focused on experiential learning, covering topics relevant to the current context of the medical scheme industry. 27 delegates from various medical schemes attended and were awarded certificates of completion.

The success of the sub-division's activities aligns with its collaboration with industry groupings, the CMS MoU counterparts, and stakeholders such as the National Consumer Union (NCU), the Consumer Protection Forum (CPF), the South African National Consumer Union (SANCU), the National Consumer Financial Education Committee (NCFEC), the Financial Planning Institute (FPI), and the Financial Sector Conduct Authority (FSCA).

CUSTOMER CARE SERVICES CENTRE

The Customer Care Services Centre serves as the frontline support hub, executing important tasks such as reception, switchboard operations, walk-in consultations, complaint enquiries and broker services.

In this financial year, the Customer Care Services Centre's performance reflects our unwavering commitment to customer satisfaction and service excellence. We have continued to uphold the CMS reputation as a reliable and customer-centric service hub through the following key achievements:

The Customer Care Centre experienced a 2.45% (537) decrease in calls, email queries, and walk-ins compared to the previous reporting period, with a total of 22 457 calls, 1 [illegible] emails, and 57 walk-ins in this financial year. As a highlight, [illegible] ([illegible]) were misdirected calls by members looking for their respective medical schemes. This shows the importance of member education regarding their schemes' contact details.

COMPLAINTS ADJUDICATION UNIT

The complaints adjudication sub-programme achieved all its targets for the 2023/24 financial year. During the year under review, the sub-programme dealt with a total of 2 550 complaints, which included 463 that were carried over from the 2022/23 financial year and 2 087 new complaints. Overall, the sub-programme resolved 2 175 complaints during the 2023/24 financial year with 375 open complaints, of which only eight had aged beyond the 120-day timeframe.

On publication of the Registrar's rulings, the sub-programme submitted 212 rulings for publication on the CMS website. This was done to empower medical scheme beneficiaries and guide them on how to navigate the intricate business of a medical scheme.

The sub-programme also continued to support the education and training initiatives through presentations on complaint adjudication processes and the roles and responsibilities of brokers and trustees in managing and resolving beneficiary complaints.

CLINICAL UNIT

In our pursuit of enhancing member satisfaction and addressing areas of concern, the Clinical Unit meticulously analysed feedback and identified recurring issues faced by members of medical schemes regarding benefit entitlements.

Due to the changes in organisational structure, the PMB Benefit Definitions and the PMB Review projects were transferred to the Policy, Research and Monitoring Unit.

10 critical topics requiring attention, clarification, and the creation of evidence-based articles to explain were identified. This will help members of medical schemes better understand their benefit entitlements. The 10 CMS topics are:

Termination of Pregnancy Choice, Infertility, Disability Awareness Month, Janell, Chronic Crisis, Juvenile Arthritis, Male Breast Cancer, Vertical Transmission Prevention (VTP), Testicular Cancer, Schizophrenia, and Endometriosis.

In the 2023/24 financial year, we received 487 clinical opinions, of which 480 were successfully completed. The outstanding is due to clinical opinions carried over to the subsequent financial year. Urgent cases, especially oncology cases, medical emergencies and the care of vulnerable individuals such as children and the elderly, were given top priority.

The Clinical Consulting Services received 387 clinical enquiries through email and telephone channels during the financial year.

The sub-division has been instrumental in shaping healthcare policy and practices by actively participating in various key initiatives. Particularly noteworthy is its significant contribution to the Benefit Definition Guidelines and the PMB Review process, where it provided essential clinical insights in collaboration with the Policy, Research, and Monitoring Division. This was demonstrated through participation in the Anatomy Reference Coding project.

Moreover, the sub-division has played a crucial role in supporting training and education endeavours by conducting informative training sessions on prescribed minimum benefits (PMBs) and clinical governance for a wide range of stakeholders. This included radio interviews educating members on understanding PMB mental health benefits, the reasons why co-payments are applied, and the importance of understanding and adhering to designated service providers (DSP) in relation to co-payments.

Furthermore, the sub-division continues to maintain active engagement with the National Essential Medicine List Committee (NEMLC), a pivotal body responsible for establishing access to standardised treatment guidelines and essential medications across various tiers of healthcare facilities. This ongoing participation ensures that member entitlements are in line with the objectives outlined by the National Department of Health, thus fostering consistency and high-quality healthcare delivery on a national scale, which speaks to the minimum benefits that schemes should at least provide. The Clinical Unit also partakes in another important forum, The Forum to promote transparency and multi-stakeholder engagement regarding medicine availability.

Looking ahead, the Member Protection Unit remains steadfast in our pursuit of continuous improvement and aims to further enhance the member and customer experience in the years to come.

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE	CHANGES TO PLANNED TARGETS
There was no underperformance for the period under review.	There were no changes to planned targets for the sub-programme during the year under review.

LINKING PERFORMANCE WITH BUDGETS

Table 18: Programme 8 - Linking performance with budget

	2013/2014			2012/2013		
MEMBER PROTECTION	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Administrative Expenses						
Printing and stationery	17	14	3	20	6	14
Subscriptions*	39	13	26	41	20	21
	56	28	30	61	26	35
Operating Expenses						
Consulting	194	67	127	1 485	102	1 383
Postage and courier	50	-	50	20	-	20
Travel and subsistence*	143	144	(1)	318	105	211
Venue and catering	58	9	49	112	38	62
	445	220	225	1 913	237	1 676
Staff costs						
Salaries*	28 630	26 446	2 184	22 128	21 751	377
	28 630	26 446	2 184	22 128	21 751	377
TOTAL*	29 131	26 692	2 439	24 102	22 014	2 088

*The variance in due to the appointment of an Executive late in the financial year and vacant posts.

*Exchange rate variance in R'000

4. REVENUE COLLECTION

Table 20: Revenue Collection

SOURCES OF REVENUE	2023/2024			2022/2023		
	BUDGET R'000	ACTUAL REVENUE R'000	(OVER)/UNDER COLLECTION R'000	BUDGET R'000	ACTUAL REVENUE R'000	(OVER)/UNDER COLLECTION R'000
Accreditation Fees	6 894	7 610	716	6 799	7 130	331
Investigation Fees	-	821	821	-	-	-
Government transfer: Department of Health	6 537	6 537	-	6 272	6 272	-
Surplus funds**	23 836		(23 836)			
Legal fees recovered	-	83	83	-	1 898	1 898
Levies income	190 571	190 575	4	179 860	179 865	5
Mandatory transfer: Department of Higher Education and Training	287	327	40	-	233	233
Registration fees*	423	464	41	534	456	(78)
Appeal fees	-	23	23	-	20	20
Penalties	-	76	76	-	4	4
Sundry income	302	748	446	286	650	364
Interest received	6 849	8 566	1 717	5 467	5 561	94
Gain/loss on disposal of asset				-	12	12
TOTAL*	235 699	215 830	(19 869)	198 224	201 102	2 884

**[illegible]
*[illegible]

5. CAPITAL INVESTMENT

During the period under review, the CMS acquired new assets with a cost price of R3 173 000, while intangible assets costing R2 155 000 were disposed of.

- Property, plant, and equipment (PPE) acquisitions amounted to R1 646 000 and Office Equipment (leased) of R1 527 000.
- Intangible asset disposals with a cost of R2 155 000.

CAPITAL ASSETS

The CMS owned capital assets to the total carrying value of R8 816 000 as 31 March 2024.

Table 21: Capital Assets

	PPE	LA
Total cost	R43 538 000	R3 888 000
Accumulated Depreciation	R-36 081 000	R-2 529 000
Carrying value	R7 457 000	R1 359 000

PART C

GOVERNANCE

1. INTRODUCTION

The Council for Medical Schemes was established in terms of the Medical Schemes Act (131 of 1998). It is classified as a Schedule 3A entity in terms of the Public Finance Management Act 1 of 1999.

In terms of its functions, the Council reports to the Minister of Health, who is the Executive Authority. It submits its financial and performance reports to the Executive Authority and the National Treasury. The Council's five-year Strategic Plan (SP) and Annual Performance Plans (APPs) get approved by the Portfolio Committee on Health before they are executed. This report will show the entity's governance activities during the year under review.

2. PORTFOLIO COMMITTEES

The Portfolio Committee on Health approves the organisation's APP and exercises legislative oversight with respect to performance and service delivery. The APP for 2023/24 was approved by the Portfolio Committee on Health in January 2023 for execution from 1 April 2023.

The Portfolio Committee raised no areas of risk or concern with regard to the APP for 2023/24. The CMS further presented its Annual Report to Parliament on 13 October 2023.

3. EXECUTIVE AUTHORITY

The CMS submits its quarterly performance reports to the Executive Authority and National Treasury as prescribed in the Public Finance Management Act (PFMA). During the year under review, the CMS complied with the relevant prescripts and submitted the four statutory reports:

- Quarter 1 – 30 July 2023
- Quarter 2 – 31 October 2023
- Quarter 3 – 31 January 2024
- Quarter 4 – 30 April 2024

The Executive Authority did not raise any areas of concern with regard to the reports. The reports showed an excellent performance by the organisation.

4. THE ACCOUNTING AUTHORITY

The CMS' accounting authority is known as the Council. The Minister of Health appoints up to 15 Council members drawn from a cross-section of society.

Council members possess skills ranging from accounting to economics, medicine, law, and civil society activism.

Their duties in terms of the MSA are to:

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

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

- evaluating and approving the five-year Strategic Plan;
- evaluating and approving the Annual Performance Plan;
- evaluating and approving the Annual Financial Statements and Annual Performance Information Report; and
- exercising oversight over executive management's performance.

The Council exercises its functions in terms of the MSA, the PFMA, Treasury regulations, other applicable laws, and its Charter and Code of Conduct.

Further, its work is carried out by various committees that report directly to it.

The Chief Executive and Registrar is accountable to the Council for their duties.

COUNCIL AND COUNCIL COMMITTEE COMPOSITION

Council members represent a variety of skills and backgrounds, including experts in law, finance, actuarial sciences, economics, medical sciences, corporate governance, and consumer affairs. Members are appointed on a part-time basis for a period of up to three years. During the year under review the Council was composed as follows:

Table 22: Council and Council Committee composition (term ending 15 November 2023)

NAME OF COUNCIL MEMBER	DESIGNATION	DATE APPOINTED	END DATE	QUALIFICATION	AREAS OF EXPERTISE	BOARD DISCIPLINARY	COMMITTEES OF THE COUNCIL	NUMBER OF MEETINGS ATTENDED
Dr Thembi Mahlangu	Chairperson of Council	16/11/20	15/11/23	• Fellowship of the College of Clinical Pharmacologists (FCCP) • Master of Medicine (MMed) • Bachelor of Medicine, Bachelor of Surgery (MBChB) • Post Graduate Diploma in Pharmaceutical Medicine (PGDip Pharmmed) • Diploma in HIV Management (Dip HIV Man)	Medicine		• Executive Committee (EXCO) • Human Resources, Social and Ethics (HRSE) • Nominations Committee (NomCom)	3*
Ms Diane Terblanche	Vice-Chairperson of Council	16/11/20	15/11/23	• Master of Laws (LLM) • Bachelor of Laws (LLB) • Bachelor of Arts in Law (BA Law)	• Law • Corporate Governance • Strategic Management • Consumer Law • Dispute Resolution		• EXCO • Appeals Committee • ICT Governance Committee	4/5
Mr Ebenezer Mabasane	Council member	16/11/20	15/11/23	• Master of Business Administration (MBA) • Bachelor of Public Administration with Honours (BPA Hons) • Bachelor of Administration with a specialisation in Accounting (B. Admin Accounting) • Diploma in Public Administration	• Corporate governance		• EXCO • HRSE • Appeals Committee	4/5
Dr Aquina Thulare	Council member	16/11/20	15/11/23	• Master of Business Administration (MBA) • Bachelor of Medicine, Bachelor of Surgery (MBChB) • Bachelor of Science in Medical Science with Honours (BSc Med Sc Hons)	• Medicine		• EXCO • Audit and Risk Committee (ARC)	3/4
Mr Imran Mahier	Council member	16/11/20	15/11/23	• Chartered Accountant (SA) • Bachelor of Commerce (Honours) • Certificate in Labour Law	• Accounting • Auditing • Corporate governance			1/1

Table 27: Council and Council Committee composition: Term ending 15 November 2023 continued

NAME OF COUNCIL MEMBER	DESIGNATION	DATE APPOINTED	END DATE	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	BOARD COMMITTEES OR PORTFOLIOS	NUMBER OF MEETINGS ATTENDED
Adv. Rodger Mmoyane	Council member	15/11/20	15/11/23	• Bachelor of Laws (LLB) • Bachelor of Jurisprudence in Legal Studies (BJuris Legal) • Certificate in Investigation and Management of Cyber and Electronic crimes. • Certificate Prosecuting Child Sex Offender	• Legal		• Appeals Committee • ICT Governance Committee	15
Dr Thandi Mdledla	Council member	15/11/20	15/11/23	• Bachelor of Medicine Bachelor of Surgery (MBChB) • Bachelor of Laws (LLB) • LLM (Master of Philosophy in Medical Law & Ethics) • LLD (Legal Health Economics) • Certificate in Corporate Governance • SAMLA Various Legal certificate	• Medicine • Legal		• Appeals Committee • HRSC Committee • Nominations Committee • ARC	30
Mr Mahoosa Mahoosa	Council member	15/11/20	15/11/23	• Master of Laws (LLM) • Bachelor of Laws (LLB) • Bachelor of Arts in Law (BA Law)	• Legal		• Appeals Committee	16
Dr Sugandhri Naidoo	Council member	15/11/20	15/11/23	• Master of Business Administration (MBA) • Bachelor of Medicine Bachelor of Surgery (MBChB)	• Medicine		• Appeals Committee • ICT Governance Committee	30
Mr Sithabiso Mbundisi	Council member	15/11/20	15/11/23	• Certificate in Principles of Business Management • Certificate in Basic Journalism	• Corporate Governance		• HRSC Committee • Appeals Committee	31
Dr Zoleni Ngobese	Council member	15/11/20	15/11/23	• PhD Specialising in Business Administration (PhD in Bus Admin) • Master of Business Administration (MBA)	• Corporate Governance		• ARC • Appeals Committee	45
Dr Ramoura Mothibi	Council member	15/11/20	15/11/23	• Bachelor of Medicine Bachelor of Surgery (MBChB) • Bachelor of Dental Therapy @ Dent Tech	• Medicine		• Appeals Committee • EXCO	32
Dr Ramberia Mbeng	Council member	15/11/20	15/11/23	• PhD in Public Management and Development • Master of Business Administration (MBA) • Bachelor of Arts in Economics (BA Economics)	• Corporate Governance • Public Sector Management and Development		• HRSC • Nominations Committee	9

NEW COUNCIL AS OF 15 NOVEMBER 2023

Table 33: New Council as of 15 November 2023

BACK OF COUNCIL NUMBER	DESIGNATION	DATE APPOINTED	END DATE	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIP	OTHER COMMITTEES OF COUNCIL	NUMBER OF MEETINGS ATTENDED
Dr Thandi Ntabeko	Chairperson of Council	15/11/23	14/11/26	• Bachelor of Medicine, Bachelor of Surgery (MBChB) • Bachelor of Laws (LLB) • LLM (Master of Philosophy in Medical Law & Ethics) • LLD (Health Economics) • Certificate in Corporate Governance • SAMLA Medical Legal certificate	• Medicine • Legal		• EXCO • HRSE • Appeals Committee • Nominations Committee	18
Mr Nafeesa Rahaman	Vice Chairperson of Council	15/11/23	14/11/26	• Master of Laws (LLM) • Bachelor of Laws (LLB) • Bachelor of Arts in Law (BA Law)	• Legal		• EXCO	8
Dr Nagendra Naidoo	Council Member	15/11/23	14/11/26	• Master of Business Administration (MBA) • Bachelor of Medicine, Bachelor of Surgery (MBChB)	• Medicine		• EXCO • ICT Governance Committee • Appeals Committee	14
Mr Mbulaheni Mbundisi	Council Member	15/11/23	14/11/26	• Certificate in Principles of Business Management • Certificate in Basic Journalism	• Corporate Governance		• HRSE Committee • Nominations Committee	8
Dr Xolani Ngcobo	Council Member	15/11/23	14/11/26	• PhD Specialising in Business Administration (PhD in Bus Admin) • Master of Business Administration (MBA) • Advanced Management Development Programme • Post Graduate Diploma in Supply Chain Management • National Diploma in Tourism Management	• Corporate Governance		• ARC • Appeals Committee • HRSE Committee	15
Dr Nasreen Khatri	Council Member	15/11/23	14/11/26	• Bachelor of Medicine, Bachelor of Surgery (MBChB) • Bachelor of Dental Therapy (B Dent Ther)	• Medicine		• Appeals Committee • EXCO	7

Table 20: New Council as of 15 November 2023 (continued)

NAME OF COUNCIL MEMBER	DESIGNATION	DATE APPOINTED	END DATE	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES OF OUR TOWN	NUMBER OF MEETINGS ATTENDED
Dr Hoombeka Mbara	Council Member	15/11/23	14/11/26	• PhD in Public Management and Development • Master of Business Administration (MBA) • Bachelor of Arts in Economics (BA(Economics))	• Corporate Governance • Public Sector Management and Development		• Nominations Committee	7
Mr Nomeni Mbeti	Council Member	15/11/23	14/11/26	• Master of Public Health (MPH Health Economics) • Post Graduate Diploma in Health Management (PGDip (Health Management)) • Bachelor of Arts in Economics and Development Studies (BA (Economics & Development Studies))	• Health Policy • Public Health		• EXCO	8
Dr Peter Nawagaro	Council Member	15/11/23	Resigned 7 May 2024	• PhD in Corporate Governance & Auditing (Doctoral Degree (PhD) in Corporate Governance & Auditing) • MBA in Accounting Auditing • Associates Information Systems Auditor (AISA) • Diploma in Investment Analysis and Portfolio Management • Diploma in Cost & Management Accounting • Information Systems Audit (IT Audit) Diploma	• Accounting • Auditing • Corporate Governance		• ARC • ICT Governance Committee	7
Mr Abdulqadir Dhagle	Council Member	15/11/23	14/11/26	• Chartered Accountant CA(SA) • Postgraduate Diploma in Accounting • Bachelor of Commerce	• Financial Management		• ARC	8
Mr Tjaart Esterhuyse	Council Member	15/11/23	14/11/26	• Fellow of the Actuarial Society of SA • Bachelor of Commerce Honours degree in Mathematical Statistics • Bachelor of Commerce	• Actuary		• ICT Governance Committee • HRSE Committee	9

Table 23: New Council as of 15 November 2023 (continued)

Title of Council Member	Designation	Date Appointed	End Date	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams	Number of Meetings Attended
Dr Kanwara Chetty	Council Member	15/11/23	14/11/26	• Master of Science in Urban and Regional Planning (MSc URP) • Bachelor of Medicine, Bachelor of Surgery (MBChB) • Fellow of Faculty of Public Health (FFPH)	• Medicine • Governance • Strategic Management • Public Health		• Appeals Committee • HRSE Committee	8
Ms Penelope Anne Beck	Council Member	15/11/23	14/11/26	• Bachelor of Laws (LLB) • Bachelor of Arts in Law (BA Law)	• Legal • Corporate governance		• Appeals Committee	11
Ms Matshego Ramagogo	Council Member	15/11/23	14/11/26	• Master of Laws in Commercial Law (LLM (Commercial law)) • Diploma in Trial Advocacy skills • Certificate in Advance International Trade Law • Certificate in Forensic Accounting and Fraud Examination • B.Proc degree • Diploma certificate in Insolvency	• Legal • Corporate governance		• Appeals Committee	10
Mr Siyabonga Jiyana	Council Member	15/11/23	14/11/26	• Master's Degree in Public Health • Master of Laws in International Business (LLM) • Honours Degree in Industrial Psychology • Post Graduate Diploma in HIV/AIDS Financing • Bachelor of Arts Social Sciences	• Public Health Economist • Corporate governance		• HRSE Committee	8

COMMITTEE COMPOSITIONS AS OF 1 APRIL 2023 TO 14 NOVEMBER 2023

Table 24: Committee compositions as of 1 April 2023 to 14 November 2023

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
Full Council	10	13	All Council members
Executive Committee (EXCO)	6	5	• Dr Nomela Makiwane • Ms Diane Terblanche • Dr Honours Mukhari • Mr Noeane Mainane • Dr Aguina Thulare
Human Resource, Social and Ethics Committee (HRSE)	4	5	• Dr Thandi Mabeta • Mr Nabelane Mkhondo • Mr Noeane Mainane • Dr Nomela Makiwane • Dr Nombeko Mbava
Audit and Risk Committee (ARC)	11	6	• Mr John Raphola • Dr Nosibulele Press • Ms Dineo Thabede • Dr Thandi Mabeta • Dr Xolani Ngobese • Dr Aguina Thulare
Information and Communication Technology Committee	3	3	• Ms Diane Terblanche • Adv. Rodger Manoeme • Dr Sugendra Naidoo
Appeals Committee	21	9	• Ms Diane Terblanche • Dr Thandi Mabeta • Dr Sugendra Naidoo • Adv. Rodger Manoeme • Dr Honours Mukhari • Mr Raheem Rahaman • Dr Xolani Ngobese • Mr Nabelane Mkhondo • Mr Noeane Mainane
Nominations Committee (NomCom)	0	3	• Dr Thandi Mabeta • Dr Nomela Makiwane • Dr Nombeko Mbava

NEW COUNCIL AS OF 15 NOVEMBER 2023

Table 25: New Council Committee compositions as at 15 November 2023

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
Full Council	6	15	All Council members
EXCO	3	5	• Dr Thandi Nabeba • Mr Naheem Raheman • Mr Moremi Nkosi • Dr Honours Mukhari • Dr Sugendra Naidoo
HRSE	2	5	• Dr Thandi Nabeba • Mr Tjaart Esterhuyse • Mr Mabalane Mfundisi • Mr Siyabonga Jikwana • Dr Xolani Ngobese
Information and Communications Technology Committee	1	3	• Dr Sugendra Naidoo • Dr Peter Masegare • Mr Tjaart Esterhuyse
Appeals Committee	5	6	• Dr Kamani Chetty • Dr Sugendra Naidoo • Ms Penelope Beck • Dr Thandi Nabeba • Dr Xolani Ngobese • Ms Matshogo Ramagaga
Nominations Committee (NomCom)	0	3	• Dr Thandi Nabeba • Mr Mabalane Mfundisi • Dr Nompeko Mbava
Audit and Risk Committee (ARC)	2	6	• Mr John Raphale • Dr Nasibulele Phesa • Ms Dineo Thabede • Dr Xolani Ngobese • Mr AbdulQadir Chople • Dr Peter Masegare

REMUNERATION OF BOARD MEMBERS

COUNCIL MEMBERS' FEES

Table 28: Council Members' Fees

NAME	2023/24 R'000	2022/23 R'000
APPOINTED 15 NOVEMBER 2023		
Ms Penelope Anne Beck	86	
Dr Kamani Chetty*		
Mr AbdulQadir Chinga	68	
Mr Tjaart Esterhuyse	43	
Mr Siyabonga Jikwana*		
Mr Moremi Nkosi*		
Mr Mabhago Ramagaga	11	
Dr Peter Masegare	44	
SECOND TERM – 15 NOVEMBER 2023		
Dr Thandi Mabena (Chairperson)	709	326
Mr Mabekane Vilakazi	391	98
Dr Honours Mukhari	341	373
Mr Neleem Ranoman (Deputy Chairperson)	181	98
Dr Sugendra Naidoo	394	541
Dr Xolani Ngobese	525	252
Dr Nombeko Mbava*		113
TERM ENDED 15 NOVEMBER 2023		
Mr Mamane Mamane	407	560
Dr Mameto Makhene	590	825
Ms Diana Tebelendie	471	766
Adv. Rodger Mareume*		
Dr Aquina Thulare*		
Mr Imran Vanker*		
	4 430	3 937

*Public official

NOTE:

- The remuneration in the table above excludes Mr Imran Vanker, Dr Aquina Thulare, and Adv. Rodger Mareume, who are public officials whose terms ended on 15 November 2023.
- Dr Nombeko Mbava, who was appointed for a second term on 15 November 2023, is also a public official.
- Dr Kamani Chetty, Mr Siyabonga Jikwana and Mr Moremi Nkosi, who were appointed on 15 November 2023, are also public officials.

INDEPENDENT AUDIT AND RISK COMMITTEE MEMBERS' REMUNERATION

Table 27: Independent Audit and Risk Committee Members' remuneration

NAME	2023/24 R'000	2022/23 R'000
Mr Lesetsa Matshekga*		185
Ms Sizo Ntsiti*		44
Mr John Raphela	93	16
Ms Dheo Thobede	54	11
Dr Nasibulele Phesa	171	36
	318	292

*Public Officer

5. RISK MANAGEMENT

The CMS has a risk management policy that is reviewed annually by management and approved by the Audit and Risk Committee (ARC) of the Council. The CMS conducts risk maturity assessments every two years with the help of an external risk management consultant. This is in compliance with its Enterprise Risk Management Policy and Framework. The period under review is the period when the risk maturity assessment is performed.

The ARC is established and continues to operate. The Executive Manager: OCEO reports to the ARC on a quarterly basis on the entity's strategic risks, their existing controls, control improvement action plans, and the progress made thereon. The ARC is continuously advised on the risk processes within the CMS. With the aid of a risk management consultant, Council undertook a risk rating exercise during the strategic review sessions held and adjusted the CMS accordingly. Inherent and residual risks accordingly. This exercise has shown a great improvement in CMS' risk management, as the majority of the 19 strategic risks had a declined residual risk rating, thereby reflecting adequate control effectiveness.

During the 2023/24 financial year, the office of the CEO sub-programme initiated and implemented two projects; one focused on risk maturity assessment and risk rating, and the other focused on business continuity and business impact analysis (BIA). The assessment tool for the risk maturity assessment and risk rating focuses on seven key focus areas comprising of 35 competency driver sub-elements. These seven focus areas are:

- Adoption of an ERM aided approach;
- Uncovering Risks;
- ERM Process Management;
- Risk Appetite Management;
- Root Cause Discipline;
- Business Resiliency and Sustainability; and
- Performance Management.

The risk maturity assessment of the CMS culminated in an improved outcome from a risk maturity level of 3 to 4.26.

The Business Impact Analysis (BIA) conducted in the event of a disaster has improved the CMS' business continuity posture in that all business programmes and sub-programmes have fully developed Business Continuity Plans (BCP) that take into consideration the business continuity processes, functions, IT needs, resources, and risks to restart operations within a Recovery Time Objective (RTO) of 24 hours.

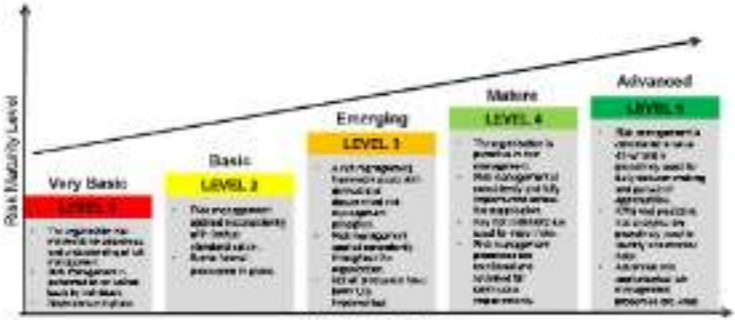


Figure 1: Risk Maturity Level

6. INTERNAL CONTROL UNIT

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

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

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

Other audits considered included:

- Probity, review relating to tenders
- Conducting special investigations into investigations on behalf of the ARC or the Registrar into any matter or activity affecting the CMS probity, interest and
- Operating efficiency

7. INTERNAL AUDIT AND AUDIT COMMITTEES

The objective of the internal audit is to provide independent, objective assurance and consulting services designed to add value and improve the CMS operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. Internal audit helps the CMS accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

Internal Audit must assist the Accounting Authority in achieving the objectives of the institution by evaluating and developing recommendations for enhancement or improvement of the processes through which:

- Objectives and values are established and communicated
- The accomplishment of objectives is monitored
- Accountability is analysed and
- Corporate values are preserved.

In carrying out audits, the scope of work of Internal Audit is to determine whether the CMS' network of risk management, control systems, and governance processes, as designed and represented by management, is adequate and functioning in an effective manner to provide reasonable assurance that:

- Significant risks relating to the achievement of the CMS' strategic objectives are appropriately identified and reviewed. Interaction with the various governance groups within the organisation occurs as needed.
- Significant financial, operational, management, performance, and information technology information is accurate, reliable, and timely.
- The actions of CMS' employees follow the CMS' policies, procedures, and applicable laws, regulations, and governance standards.
- Resources and assets are acquired and disposed of economically, used efficiently, and protected adequately.
- The results of operations or programmes are consistent with the established goals and objectives of the CMS and are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the CMS.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- The CMS' fraud prevention plan is implemented and operates effectively and efficiently; and
- Awards, revenues, returns, and interests of the CMS are properly for and verified as required. Fraud, corruption, breach of contracts, wastage, inflation and misallocation, and any other causes.

To achieve full effectiveness, the scope of the work to be performed by Internal Audit will be based on its assessment of risk (with management input) as approved

by the ARC. Audit coverage will be based on a risk basis and any other areas as directed and approved by the ARC.

The primary purpose of the ARC is to assist the Accounting Authority in fulfilling its oversight responsibility, which includes responsibilities regarding the safeguarding of assets, operating effective systems of internal control, and preparing annual financial statements as required by PFMA, Treasury Regulations, and as per the provisions of King Report IV on Corporate Governance, by reviewing:

- The financial reports and other information provided by the Accounting Authority to any government body, other stakeholders, or the public;
- The system of internal control (financial, operational, and compliance) that the Accounting Authority has established; and
- The Accounting Authority's auditing, accounting and financial reporting processes.

Consistent with its functions, the ARC should encourage continuous improvement and should foster adherence to the CMST accounting policies, procedures, and practices at all levels. The ARC's primary objectives are to:

- Serve as an independent and objective committee to monitor and strengthen the objectivity and credibility of the CMST financial reporting processes and internal control systems; and
- Review and appraise the audit efforts of the Auditor-General of South Africa and the Accounting Authority's Internal Audit function.

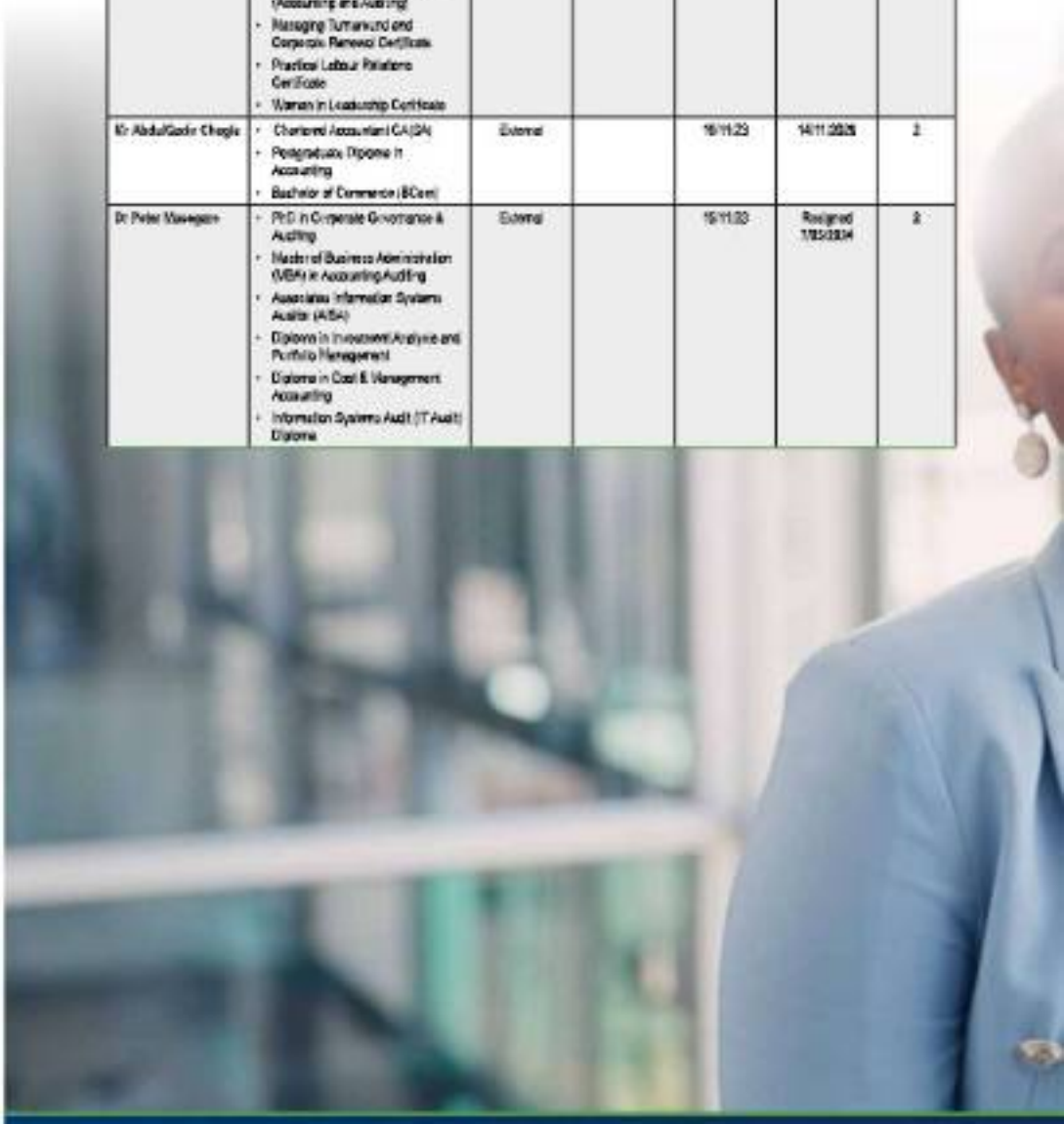
The table below discloses relevant information about the audit committee members:

Table 28: Audit Committee members, attendance and meeting attendance

NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	IF INTERNAL, POSITION IN THE PUBLIC ENTITY	DATE APPOINTED	END DATE	NUMBER OF MEETINGS ATTENDED
Dr Aquinas Thabane	- Master of Business Administration (MBA) - Bachelor of Medicine, Bachelor of Surgery (MBChB) - Bachelor of Science in Medical Sciences with Honours (BSc Med (Hons))	External		1 [illegible] 2020	15 [illegible] 2023	4
Dr Thandi Mababa	- Bachelor of Medicine, Bachelor of Surgery (MBChB) - Bachelor of Laws (LLB) - LLM (Master of Philosophy in Medical Law & Ethics) - LLD (Legal Health Economics) - Certificate in Corporate Governance - SAMA Medical Legal certificate	External		1 [illegible] 2020	15 [illegible] 2023	5
Mr John Raphesa	- Masters in Information Technology (MIT) - Master in Business Administration (MBA) - Bachelor of Science in Computer Science with Honours (BSc Comp (Hons)) - Project Project Management Certificate - ITIL Foundation Certificate	External		27 [illegible] 2022	27 [illegible] 2025	5
Dr Xolani Ngobese	- PhD Specialising in Business Administration (PhD in Bus. Admin) - Master of Business Administration (MBA)	External		1 [illegible] 2020	1 [illegible] 2023	5
Dr Mandabola Phaka	- PhD in Accounting - Master of Accounting - Postgraduate Diploma in Applied Accounting Science - Bachelor of Commerce in Accounting - Postgraduate Diploma in Accounting Preliminary	External		1 [illegible] 2023	1 [illegible] 2026	5

Table 28: Audit Committee Members, details and meeting attendance (continued)

NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	IF INTERNAL, POSITION IN THE PUBLIC ENTITY	DATE APPOINTED	END DATE	NUMBER OF MEETINGS ATTENDED
Ms Dineo Thobejane	• Master of Business Administration (MBA) • Bachelor of Accounting Science (Accounting and Auditing) • Managing Turnaround and Corporate Renewal Certificate • Practical Labour Relations Certificate • Women in Leadership Certificate	External		16/02/2023	Resigned 6/06/2024	14
Mr Abdulkader Chagla	• Chartered Accountant (CA)(SA) • Postgraduate Diploma in Accounting • Bachelor of Commerce (BCom)	External		16/11/23	14/11/2026	2
Dr Peter Mawagani	• PhD in Corporate Governance & Auditing • Master of Business Administration (MBA) in Accounting/Auditing • Associates Information Systems Auditor (AISA) • Diploma in Investment Analysis and Portfolio Management • Diploma in Cost & Management Accounting • Information Systems Audit (IT Audit) Diploma	External		16/11/23	Resigned 1/05/2024	2



8. COMPLIANCE WITH LAWS AND REGULATIONS

The CMS has developed a regulatory compliance policy and framework. The CMS remains committed to positively impacting all aspects of public sector accountability. The potential risk of non-compliance is critical to the CMS as the institution is required to comply with a variety of laws and regulatory requirements, and has also elected to comply with the standards of good practice. The regulatory compliance assessment is done on a continuous basis and reported to the ARC and the Accounting Authority on a quarterly basis. The Accounting Authority approved the policy on 25 February 2021. For implementation for the financial year under review.

9. FRAUD AND CORRUPTION

The CMS Fraud and Corruption Prevention Policy encompasses the Fraud and Corruption Prevention Plan, the Fraud and Corruption Response Plan, as well as the CMS whistle-blowing Policy. The Fraud and Corruption Prevention Policy was reviewed in line with the Council's ethics awareness outlook for the year. The CMS Fraud and Corruption Prevention Policy is supported by a whistle-blower hotline mechanism that is managed independently by a service provider called Behonest.

As a first step employees must raise concerns with their immediate manager, their superior or the delegated investigative committee. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. If an employee is for any reason uncomfortable using the normal business channels, they can then contact the whistle-blower service provider using the contact details below or the Registrar.

Concerns may be raised verbally or in writing. Employees who wish to make a written report are invited to use the following format:

- The background and history of the concern (providing adequate information with relevant dates);
- The reason they are particularly concerned about the situation; and
- The extent to which they have personally witnessed or experienced the problem (provide documented evidence where possible).

The hotline is accessible by shared call centre toll-free number 0800 857 423, secure email address cms@behonest.co.za, and website www.behonest.co.za with a chat function. The Chief Executive and Registrar, chairpersons of the ARC and Council are the contact persons to receive the whistle-blower reports.

10. MINIMISING CONFLICT OF INTEREST

The CMS has a system for both staff and Council members that requires them to submit annual declarations of interest. The declarations are reviewed to ensure there are no conflict of interest cases. The supply chain management unit uses the Central Supplier Database to verify the identity of those who conduct business with CMS to avoid conflicts of interest and corruption. In the event where a conflict of interest has been identified, members of the bid committees will recuse themselves from the process to ensure transparency.

11. CODE OF CONDUCT

A new Code of Ethics and Conduct was adopted by the CMS and remains in place. The code sets down common ethical standards that CMS employees, suppliers, and the Accounting Authority must adhere to on a consistent basis to ensure that their actions are in accordance with CMS values and standards.

The CMS Code of Ethics and Conduct was reviewed after consultation with all internal stakeholders, and the annual review was done in line with the Council's ethics awareness outlook for the year. In addition, the CMS Ethics Strategy and Awareness Plan continued to be implemented. All sixth members are provided with a CMS Ethics Booklet.

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

LESS SERIOUS OFFENCE

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

SERIOUS OFFENCE

If CMS Management deems the breach to be serious, then an employee will be subjected to a formal disciplinary hearing, which may result in a final written warning, suspension without pay, and/or dismissal if the employee is found guilty.

In a formal disciplinary hearing, the Registrar appoints a chairperson to preside over the hearing and an initiator to prosecute the case on behalf of the CMS.

The employee has a right to be represented by a CMS employee or a shop steward.

Furthermore, an employee is afforded the opportunity to state their side of the story, cross-examine the CMS witnesses, and plead in mitigation of the penalty should they be found guilty.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

In striving to comply with the Occupational Health and Safety Act, the Council ensures that staff are properly trained and provided with appropriate safety and emergency equipment.

The Council, amongst other things, takes appropriate action to correct hazards or conditions that endanger health, safety, and the environment, and it considers environmental factors in all operating decisions, including planning and acquisitions.

13. COUNCIL SECRETARY

The Council is assisted by a Company Secretary who provides corporate governance and administration services. The Company Secretary guides members on their duties, responsibilities, and functions.

The Company Secretary maintains an arm's length relationship with the Council, and the governing body is satisfied that the Company Secretary is fit and proper to perform his duties.

During the year under review, the Company Secretary was Mr Khayalethu Mvulo.

14. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2024.

AUDIT AND RISK COMMITTEE RESPONSIBILITY

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 3.1.13.

The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Committee Charter has regulated its affairs in compliance with this charter, and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

Our review of the internal audit work's findings, which were based on the risk assessments conducted with the public entity, revealed certain weaknesses, which we then raised with the public entity.

CMS has a robust and effective internal control environment underpinned by continuous reviews and updates of policies and standard operating procedures to ensure relevance and alignment with changes.

The following governance oversight work was completed during the year under review:

- Quarterly Performance Information Report Reviews for the year;
- Review of the Annual Performance Information Report;
- Review of the Annual Financial Statements;
- Review of the Quarterly Strategic Risk Management Reports;
- Approval of the 3-year Internal Audit Rolling Plan;
- Approval of the Annual Internal Audit Operational Plan;
- Reviews of Procurement Probity Reports, Internal Audit Report as per the Operational Plan;
- Review of quarterly management assurance and other related reports;
- Review of the Supply Chain Management Policy;
- Review of the Council Remuneration Policy; and
- Review of the Internal/External Audit Findings Register.

The following were areas of concern:

- The slow pace of addressing issues arising out of the Loss Control Committee processes, including the implementation of consequence management.
- The unaddressed historical issues resulting in irregular expenditure.
- The slow development of the Alternative Funding Model is a significant concern, as the current funding framework is insufficient to meet the needs of a regulatory entity with the mandate and size of CMS; and
- The adoption of the final reviewed delegation of authority.

IN-YEAR MANAGEMENT AND MONTHLY/ QUARTERLY REPORT

The public entity has submitted quarterly reports to the Executive Authority and the National Treasury in terms of the PFMA.

EVALUATION OF FINANCIAL STATEMENTS

The Committee has reviewed the Annual Financial Statements prepared by the public entity and the same was submitted to the Auditor-General of South Africa.

AUDITOR'S REPORT

The Committee and the Council have reviewed the public entity's implementation plan for audit issues raised in the prior year, and we are satisfied that the matters have been adequately resolved, except the following:

- Consequence management with respect to irregular expenditure.

The Audit and Risk Committee acknowledges and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General.

Dr Bienvenida Phese
Chairperson of the Audit and Risk Committee
Council for Medical Schemes
31 July 2024

15. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with compliance to Broad-Based Black Economic Empowerment (B-BBEE) requirements of the B-BBEE Act of 2013, and as determined by the Department of Trade, Industry, and Competition.

Table 28: B-BBEE Compliance Performance Information

HAS THE DEPARTMENT OR PUBLIC ENTITY APPLIED ANY RELEVANT CODE OF GOOD PRACTICE (B-BBEE CERTIFICATE LEVELS 1 – 8) WITH REGARD TO THE FOLLOWING:		
CRITERIA	**RESPONSE YES / NO**	**DISCUSSION**
Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law?	No	Not applicable
Developing and implementing a preferential procurement policy?	Yes	The CMS has implemented the B-BBEE Code of Good Practice by applying the preference points system of 80/20 for transactions of goods and services between R2 001 and R50 000 000 and the preference points system of 90/10 for transactions above R50 million when it is applicable. The measures taken by the CMS include the following: • Requesting and ensuring that bidders submit their sworn affidavit and B-BBEE when responding to the invitation for bids. • Using the quote evaluation system to allocate points for specific goals in line with Preferential Procurement Regulations 2022 during the evaluation process.
Determining qualification criteria for the sale of state-owned enterprises?	No	Not applicable
Developing criteria for entering into partnerships with the private sector?	No	Not applicable
Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	No	Not applicable

PART D

HUMAN RESOURCE MANAGEMENT

OVERSIGHT OF **HUMAN RESOURCE**

HR MANAGEMENT INTRODUCTION

The human resources sub-programme ensured that the organisation has the requisite capacity to deliver on its mandate, that the workplace is conducive to achieving the strategic objectives, and that HR systems and processes are in place. The sections below provide progress made in each thematic area. This section will also provide an overview of challenges related to human resources management and offer updates on the progress made in addressing the established priorities for HRM.

OVERVIEW OF HUMAN RESOURCES (HR) MATTERS

The HR sub-programme continuously improves HR programmes that promote and support the Council's vision. This is an overview of the activities of the HR sub-programme in implementing the HR strategy for the 2023/24 financial year through the Annual Performance Plan (APP).

During the reporting period, the HR sub-programme implemented the job evaluation and salary benchmark exercise results. The sub-programme was also involved in workforce planning, job evaluation and salary benchmarking, performance management, policy review and development, employee benefits, training and development, employment equity, employee relations, employee wellness, budget planning, and administration to support the organisational objectives efficiently and effectively.

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

The HR ensured that attracting and retaining talent remained a key priority for the CMS. The sub-programme prioritised the filling of funded vacant positions created by the new service delivery model. In addressing internal capacity constraints, five temporary employees were appointed on fixed-term employment contracts. These appointments were for specific projects with a limited duration during the reporting period.

The unit facilitated Work Integrated Learning (WIL) with various institutions of higher learning and TVET colleges, and successfully appointed 10 students to provide them with on-the-job training during the period under review.

The unit also made 33 permanent appointments, six of which were filled by internal candidates, and five by employees who completed their fixed term and internship within the CMS.

EXTERNAL APPOINTMENTS	FIXED TERM
• Chief Financial Officer • Health Policy Analyst • Legal Adjudication Officer • Business Analyst • Senior Software Developer	• Administrator: Financial Supervision • Administrator: Secretariat • Customer Care Consultant • Client Contact Agent • SQL Administrator • Paralegal Administrator • Communications Officer • Risk and Performance Manager • Information Security Specialist

INTERNAL MOVEMENT	INTERNSHIP
• Executive: [illegible] Protection • Senior Investigation Officer • Senior Compliance Officer • Legal Adjudication Officer • Senior Clinical Analyst: Clinical Consulting • Administrator: Benefits Management	• Customer Care Consultant

A total of 13 terminations were processed: one due to death, seven due to career advancement and five due to internal movement where employees were appointed in new roles within the organisation.

RESIGNATIONS (CAREER ADVANCEMENT)	INTERNAL MOVEMENT
• Senior Investigation Officer • Legal Adjudication Officer • Senior Software Developer • Database Management Analyst • Communications Officer • Analyst: Financial Supervision • Senior Analyst: Financial Supervision	• Legal Adjudication Officer • Compliance Officer • Client Contact Agent • Senior Manager: Clinical Consulting • Paralegal: Complaints Adjudication
DEATH	
• Cleaner	

[illegible]

PERFORMANCE MANAGEMENT

The HR sub-programme continued to ensure that individual performance contracts were aligned to the organisational objectives to enhance organisational performance. A 360-degree performance management tool was introduced for the financial year under review. The tool was piloted during the first review period and launched fully during the second and final review periods of the 2023/24 performance cycle.

The service provider coordinating the 360-degree performance assessment tool has been appointed on a three-year term contract. Bi-annual evaluations of performance scores against performance agreements entered during the reporting period will be moderated and completed at the end of the first quarter of the 2024/25 financial year.

EMPLOYEE WELLNESS PROGRAMMES

Employee wellness remained a priority for HR and a key strategic objective for ensuring staff retention and improving productivity. During the reporting period, a refresher training for the health and safety committee was conducted. The DHS employees are embracing the hybrid working arrangement. Quarterly wellness initiatives embedded in the hybrid work were facilitated to assist employees in managing work-life balance. These initiatives included anxiety disorder, mental health, and loneliness.

POLICY DEVELOPMENT

Human Resources Policies are reviewed annually and were approved by the Council on 29 February 2024. These policies remain relevant and up-to-date. Additionally, a new policy on funerals and bereavement has been approved for implementation, effective from 1 April 2024.

EMPLOYEE BENEFITS

A Benefits Task Team was established to investigate and make recommendations on all employee benefit options for consideration by the organisation. The team considered different phased-in options required by the implementation of a pension and/or provident fund where the existing group benefit is concerned. The task team's recommendations shall be tabled and considered by the Accounting Officer and Council during the next financial year.

TRAINING AND DEVELOPMENT

The training interventions were implemented as per the approved budget and the training development plans for the 2023/24 financial year.

The Workplace Skills Plan and Annual Training Report were submitted to the Health and Welfare Sector Education and Training Authority (HWSETA). The organisation continued to benefit from the mandatory and discretionary grants.

EMPLOYMENT EQUITY (EE)

The EE Plan was implemented to ensure that the set employment equity targets were realised to comply with the national Economic Active Population (EAP) requirements to address the under-representation of designated groups at all occupational levels.

The HR sub-programme reported to the Department of Employment and Labour on the progress made on the implementation of its EE Plan for the year under review.

The CMS continues to be fairly aligned to the management control element of the B-BBEE scorecard but still falls below the skills development element in spending and implementing sector skills priority training.

EMPLOYEE RELATIONS

There were no reported cases of disciplinary action during the reporting period. However, 25 disputes concerning the outcomes of the job evaluation and salary benchmarking exercise were considered during the reporting period.

HR enhanced engagements with organised labour on matters of mutual interest. Wage negotiations for 2024/25 were concluded for implementation effective 1 April 2024.

CCMA and Labour Court matters referred by current and former employees were effectively managed during the reporting period.

ACHIEVEMENTS

The human resources sub-programme achieved the following set of priorities during the period under review:

- Prioritised the filling of approved posts to improve efficiencies;
- Training initiatives were implemented according to the training plan;
- Successfully launched the 360-degree performance assessment tool; and
- Completed and implemented the recommendations of the job evaluation and salary benchmarking exercise to align with the new structure.

CHALLENGES FACED BY THE ENTITY

HR dealt with the following challenges:

- Re-advertisement of posts due to the unavailability of appointable, suitable candidates in critical positions;
- Delay in the implementation of the 360 degree performance management tool; and
- Disputes emanating from the job evaluation and salary benchmarking outcomes to be tabled at the HR committee.

FUTURE HR PLANS AND GOALS

- Review the effectiveness of the new service delivery model.

HR OVERSIGHT STATISTICS

Table 29: Personnel cost by Programme (Unit)

PROGRAMME	TOTAL EXPENDITURE OF UNIT (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXPENDITURE AS % OF TOTAL EXPENDITURE %	NUMBER OF EMPLOYEES AT YEAR END	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Programme 1 – Administration					
Sub-programme 1.1 – CEO's Office	8 998	6 763	75.13%	3	2 253.33
Sub-programme 1.2 –CFO's Office	22 791	12 111	53.14%	10	1 211.10
Sub-programme 1.3 – ICT and Knowledge Management	26 408	13 863	52.50%	15	924.20
Sub-programme 1.4 – Corporate Services	61 021	19 656	32.61%	22	984.36
Sub-programme 1.5 – Secretariat	8 518	2 751	32.71%	4	687.75
Programme 2 – Strategy, Risk, and Performance	2 256	-	0.00%	-	
Programme 3 – Registration	44 173	42 967	97.28%	35	1 227.48
Programme 4 – Policy, Research, and Monitoring	13 828	12 231	88.76%	9	1 383.55
Programme 5 – Member Protection	26 693	26 446	99.07%	27	1 181.92
TOTAL	214 688	137 055	63.86%	125	1 656.78

Table 31 : Personnel cost per salary band

SALARY BAND	PERSONNEL EXPENDITURE (R'000)	% PERSONNEL EXPENDITURE PER LEVEL %	NUMBER OF EMPLOYEES AT YEAR END	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top Management	35 879	16.06%	8	2 578.63
Senior Management	16 926	12.36%	9	1 880.71
Professionals	58 370	43.08%	48	1 305.51
Skilled Technical and Academically Qualified	34 852	25.42%	44	792.09
Semi-skilled Labour	3 812	2.85%	7	558.85
Unskilled Labour	1 716	1.24%	8	213.24
TOTAL	137 890	100.00%	125	1 656.78

Table 22: Performance Rewards

SALARY BAND	PERFORMANCE REWARD (R'000)	% PERFORMANCE REWARD PER LEVEL (%)	NUMBER OF EMPLOYEES AT YEAR END	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top Management	313	19%	7	45
Senior Management	378	14%	9	34
Professionals	926	40%	45	21
Skilled Technical and Academically Qualified	548	35%	43	13
Semi-skilled Labour	48	2%	5	10
Unskilled Labour	22	1%	7	3
TOTAL	2 158	100%	116	18

*No reported performance bonuses relate to the 2022/23 financial year

Table 23: Training Courses Programme

PROGRAMME	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS % OF PERSONNEL COSTS (%)	NUMBER OF EMPLOYEES	AVERAGE TRAINING COST PER EMPLOYEE (R'000)
Programme 1 – Administration					
Sub-programme 1.1 – CEO's Office	9 768	73	1.07%	3	24.22
Sub-programme 1.2 – CFO's Office	12 111	203	1.67%	10	20.26
Sub-programme 1.3 – ICT and Knowledge Management	13 859	473	3.41%	15	31.55
Sub-programme 1.4 – Corporate Services	19 856	317	1.58%	22	14.40
Sub-programme 1.5 – Secretariat	2 751	275	9.84%	4	68.64
Programme 2 – Strategy, Risk, and Performance	-	-	0.00%	-	-
Programme 3 – Regulation	42 961	365	0.91%	35	11.22
Programme 4 – Policy, Research, and Monitoring	13 378	232	1.69%	9	25.76
Programme 5 – Member Protection	26 446	354	0.06%	27	9.17
TOTAL	137 956	2 228	1.03%	125	17.82

Table 34: Employment and vacancies per Programme

PROGRAMME	2022/23 NUMBER OF EMPLOYEES	APPROVED POSTS 2023/24	2023/24 NUMBER OF EMPLOYEES	2023/24 VACANCIES	% OF VACANCIES
Programme 1 - Administration					
Sub-programme 1.1 – CEO's Office	3	3	3	-	0.00%
Sub-programme 1.2 - CFO's Office	10	10	10	-	0.00%
Sub-programme 1.3 – ICT and Knowledge Management	13	15	15	-	0.00%
Sub-programme 1.4 – Corporate Services	23	25	22	3	12.00%
Sub-programme 1.5 – Secretarial	3	4	4	-	0.00%
Programme 2 – Strategy, Risk, and Performance	-	3	-	3	100.00%
Programme 3 – Regulation	36	40	35	5	12.50%
Programme 4 – Policy, Research, and Monitoring	9	10	9	1	10.00%
Programme 5 – Member Protection	29	32	27	5	15.63%
TOTAL	123	142	125	17	12%

* The recruitment process for some vacancies was carried over from the 2022/23 financial year.

Table 35: Employment and vacancies per Salary Level

LEVEL	2022/23 NUMBER OF EMPLOYEES	APPROVED POSTS 2023/24	2023/24 NUMBER OF EMPLOYEES	2023/24 VACANCIES	% OF VACANCIES
Top Management	6	9	8	1	11.11%
Senior Management	10	10	9	1	10.00%
Professionals	36	55	49	6	10.91%
Skilled Technical and Academically Qualified	56	52	43	9	17.31%
Semi-skilled Labour	14	7	7	0	0.00%
Unskilled Labour	9	9	9	0	0.00%
TOTAL	123	142	125	17	11.97%

* Four of the approved posts were filled with employees who were appointed on fixed-term contracts and those who completed their internship programme with the CMS.

Table 36: Employment Changes per Salary Band

SALARY BAND	EMPLOYMENT AT THE BEGINNING OF PERIOD	APPOINTMENTS	STAFF MOVEMENT	TERMINATIONS	EMPLOYMENT AT END OF PERIOD
Top Management	6	2	-	-	8
Senior Management	10	-	-	1	9
Professionals	28	8	16	3	49
Skilled Technical and Academically Qualified	60	3	(7)	8	44
Semi-skilled Labour	14	2	(9)	-	7
Unskilled Labour	9	1	(1)	1	8
TOTAL	123	16	(1)	13	125

*Staff movement resulted from the recommendations of the job evaluation exercise

Table 37: Reasons for Leaving

REASON	NUMBER OF EMPLOYEES	% OF TOTAL NUMBER OF STAFF LEAVING
Death	1	7.69%
Resignations	7	53.85%
Dismissal	-	0.00%
Retirement	-	0.00%
Ill Health	-	0.00%
Expiry of Contract	-	0.00%
Other (Internal movement)	5	38.46%
TOTAL	13	100.00%

Table 38: Labour Relations Misconduct and Disciplinary Actions

REASON	NUMBER OF EMPLOYEES
Verbal warning	-
Written warning	-
Final written warning	-
Dismissal	-
TOTAL	-

PART E

PFMA COMPLIANCE REPORT

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1. IRREGULAR EXPENDITURE

A) IRREGULAR, FRUITLESS, AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES - RECONCILIATION OF IRREGULAR EXPENDITURE

Table 29: Irregular, fruitless and wasteful expenditure and material losses - Reconciliation of Irregular Expenditure

DESCRIPTION	2023/24 R'000	2022/23 R'000
Add: Irregular expenditure confirmed	893	1 462
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	893	1 462

Table 30: Irregular, fruitless and wasteful expenditure and material losses - Reconciling Notes

DESCRIPTION	2023/24 R'000	2022/23 R'000
Irregular expenditure that was under assessment in 2022/23 and 2023/24	-	-
Irregular expenditure that relates to 2023/23 and identified in 2023/24	-	52
Irregular expenditure for the current year	893	1 410
Total	893	1 462

Irregular expenditure amounting to R52 000 relating to the 2022/23 financial year was identified in the 2023/24 financial year. This irregular expenditure relates to legal fees. Furthermore, of the amount disclosed in 2023/2024, R528 000 relates to an expired contract where extension/variation was not sought on time, with R350 000 and R178 000 emanating from legal fees and ICT expenditure, respectively, where the three quote processes were not followed.

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

Table 31: Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

DESCRIPTION	2023/24 R'000	2022/23 R'000
Irregular expenditure under assessment	4	-
Irregular expenditure under determination	240	1 410
Irregular expenditure under investigation	-	-
Total	239	1 410

Irregular expenditure under assessment relates to irregular incurred in the 2022/23 financial year and discovered in the 2023/24. Additionally, irregular expenditure under determination relates to R15 000 incurred in the 2023/24 financial year where the three-quote process was not followed, while R231 000 is expenditure incurred in the 2022/23 financial year that relates to expired contracts where extension/variation was not sought on time.

Finally, irregular expenditure incurred in the 2023/24 financial year amounting to R878 000 and R1 312 000 for the 2022/23 financial years is in the process of condonation, recovery, and/or write-off. Both the assessment and determination tests relating to these amounts have been concluded.

C) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE CONDONED

Table 42: Details of current and previous year irregular expenditure condoned

DESCRIPTION	2023/24 R'000	2022/23 R'000
Irregular expenditure condoned and removed	-	-
Total	-	-

D) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE REMOVED - (NOT CONDONED)

Table 43: Details of current and previous year irregular expenditure removed - (not condoned)

DESCRIPTION	2023/24 R'000	2022/23 R'000
None	-	-
Total	-	-

E) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE RECOVERED

Table 44: Details of current and previous year irregular expenditure recovered

DESCRIPTION	2023/24 R'000	2022/23 R'000
Irregular expenditure recovered	-	-
Total	-	-

F) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE WRITTEN OFF (IRRECOVERABLE)

Table 45: Details of current and previous year irregular expenditure written off (irrecoverable)

DESCRIPTION	2023/24 R'000	2022/23 R'000
Irregular expenditure written off	-	-
Total	-	-

ADDITIONAL DISCLOSURE RELATING TO INTER-INSTITUTIONAL ARRANGEMENTS

G) DETAILS OF NON-COMPLIANCE CASES WHERE AN INSTITUTION IS INVOLVED IN AN INTER-INSTITUTIONAL ARRANGEMENT (WHERE SUCH INSTITUTION IS NOT RESPONSIBLE FOR THE NON-COMPLIANCE)

The CMS did not sign any inter-institutional arrangement in the 2023/24 financial period.

H) DETAILS OF NON-COMPLIANCE CASES WHERE AN INSTITUTION IS INVOLVED IN AN INTER-INSTITUTIONAL ARRANGEMENT (WHERE SUCH INSTITUTION IS RESPONSIBLE FOR THE NON-COMPLIANCE)

The CMS did not sign any inter-institutional arrangement in the 2023/24 financial period.

f) DETAILS OF CURRENT AND PREVIOUS YEAR DISCIPLINARY OR CRIMINAL STEPS TAKEN AS A RESULT OF IRREGULAR EXPENDITURE

DISCIPLINARY STEPS TAKEN

In strengthening consequence management, CMS has reviewed and updated its disciplinary policy to align with best practices, the Labour Relations Act, and the PFMA Compliance and Reporting Framework. CMS has taken disciplinary steps against parties responsible for incurring irregular expenditure. A disciplinary matter in progress as at 31 March 2024 has been concluded by 31 July 2024. This matter relates to legal fees irregular expenditure incurred in the current and prior years amounting to R160 000 and R457 800 respectively. Other disciplinary matters that started after the financial year end are still in progress. In all the reported matters, there are no cases with an element of criminality that require additional reporting in line with the PFMA Compliance and Reporting Framework. CMS is committed to implementing its disciplinary policy to ensure compliance and good governance.

12. FRUITLESS AND WASTEFUL EXPENDITURE

A) DISCIPLINARY STEPS TAKEN: RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE

Note 48: Disciplinary steps taken: Reconciliation of fruitless and wasteful expenditure

DESCRIPTION	2023/24 R'000	2022/23 R'000
Add: Fruitless and wasteful expenditure confirmed	-	13
Less: Fruitless and wasteful expenditure written off	-	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Closing balance	0	13

Note 47: Disciplinary steps taken: Reconciliation notes

DESCRIPTION	2023/24 R'000	2022/23 R'000
Fruitless and wasteful expenditure that was under assessment in 2022/23 and 2023/24	-	-
Fruitless and wasteful expenditure that relates to 2022/23 and identified in 2023/24	-	-
Fruitless and wasteful expenditure for the current year	-	13
Total	-	13

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

Note 48: Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

DESCRIPTION	2023/24 R'000	2022/23 R'000
Fruitless and wasteful expenditure under assessment	430	-
Fruitless and wasteful expenditure under determination	13	13
Fruitless and wasteful expenditure under investigation	-	-
Total	443	13

Fruitless and wasteful expenditure under assessment for the 2023/24 financial year relates to penalties incurred on late payment and/or submission of legislated returns. An assessment is performed to ascertain whether such incurrence could have been avoided in line with the definition of fruitless and wasteful expenditure. The expenditure under determination relates to default judgement on late payment.

C) DETAILS OF CURRENT AND PREVIOUS YEAR FRUITLESS AND WASTEFUL EXPENDITURE RECOVERED

Table 49: Details of current and previous year fruitless and wasteful expenditure recovered

DESCRIPTION	2023/24 R'000	2022/23 R'000
Fruitless and wasteful expenditure recovered	-	-
Total	-	-

D) DETAILS OF CURRENT AND PREVIOUS YEAR FRUITLESS AND WASTEFUL NOT RECOVERED AND WRITTEN OFF

Table 50: Details of current and previous year fruitless and wasteful expenditure not recovered and written off

DESCRIPTION	2023/24 R'000	2022/23 R'000
Fruitless and wasteful expenditure written off	-	-
Total	-	-

E) DETAILS OF CURRENT AND PREVIOUS YEAR DISCIPLINARY OR CRIMINAL STEPS TAKEN AS A RESULT OF FRUITLESS AND WASTEFUL EXPENDITURE

DISCIPLINARY STEPS TAKEN

CMS is currently performing the determination test to identify the responsible parties for consideration for disciplinary action. Disciplinary steps will only be taken once the determination test has been completed. Further should there be an element of criminality identified in the determination test, this will be reported in line with the requirements of the PFMA Compliance and Reporting Framework.

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

A) DETAILS OF CURRENT AND PREVIOUS YEAR MATERIAL LOSSES THROUGH CRIMINAL CONDUCT

Table 51: Details of current and previous year material losses through criminal conduct

DESCRIPTION	2023/24 R'000	2022/23 R'000
Theft	-	-
Other material losses	-	-
Less: Recovered	-	-
Less: Not recovered and written off	-	-
Total	-	-

B) DETAILS OF OTHER MATERIAL LOSSES

Not applicable

C) OTHER MATERIAL LOSSES RECOVERED

Not applicable

D) OTHER MATERIAL LOSSES WRITTEN OFF

Not applicable

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS - NUMBER OF VALID INVOICES RECEIVED

Table 02: Late and/or non-payment of suppliers - Number of valid invoices received

NUMBER OF VALID INVOICES RECEIVED	NUMBER OF INVOICES	CONSOLIDATED VALUE R'000
Invoices paid within 30 days or agreed period	643	14 011
Invoices paid after 30 days or agreed period	30	477
Invoices older than 30 days or agreed period (unpaid and without dispute)	-	-
Invoices older than 30 days or agreed period (unpaid and in dispute)	13	5 456
Total	786	19 944

The amounts that are in dispute relate to the SIU matter where the invoices to the value of R4 459 773 are over 30 days and remain unpaid.

Legal invoices amounting to R915 304 were also unpaid due to various queries we have requesting those invoices.

The balance of these invoices is made up of external storage, travel and repair invoices, which have queries being finalised with the suppliers. The total of these invoices is R64 800.

3. SUPPLY CHAIN MANAGEMENT

3.1. SUPPLY CHAIN MANAGEMENT: PROCUREMENT BY OTHER MEANS

Procurement by other means was done through deviation processes in line with the DMS SCM Policy and National Treasury Regulation. Deviations were processed in instances of insufficient response to the RFQ, sole suppliers and continuation of services (in the case of a single source).

Table 03: Supply Chain Management: Procurement by other means

PROJECT DESCRIPTION	NAME OF SUPPLIER	TYPE OF PROCUREMENT BY OTHER MEANS	CONTRACT NUMBER	VALUE OF CONTRACT
Appointment ITR Technology as the preferred service supplier to assist with the annual licence renewal for the Desktop Endpoint Control and Ops Manager Manage Engine products license.	ITR Technology (Pty) Ltd	Sole Source	NA	R143 284
Assistance with the support and maintenance of Cisco Switches.	Destiny Global Technology	Less than 3 quotes obtained	NA	R117 624
Procurement of tyres for CMS pool car (Bridgestone 265/50 R17 x4), wheel alignment and wheel balance (including fitment).	Nitos (Pty) Ltd	Less than 3 quotes obtained	NA	R14 376
Appointment of a service provider to assist with the IT support and knowledge transfer software for Live DPO Webinars for a period of three years.	Pioneering Solution Studios (Pty) Ltd	Less than 3 quotes obtained	NA	R609 808
Appointment of a service provider for maintenance and service of hydrovar pump (Water System) for a period of 15 months.	Southern Pumps (Pty) Ltd	Less than 3 quotes obtained	NA	R5 732 (Rate-based)
Appointment of Jura coffee machine procured from Jura Espresso SA (Pty) Ltd.	Jura Espresso SA (Pty) Ltd	Single-Source	NA	R2 894
Appointment Sage South Africa (Pty) Limited for licence renewal of Sage Products.	Sage South Africa (Pty) Ltd	Sole Source	NA	R3 360

Table [illegible]: Supply Chain Management: Procurement by other means (continued)

PROJECT DESCRIPTION	NAME OF SUPPLIER	TYPE OF PROCUREMENT BY OTHER MEANS	CONTRACT NUMBER	VALUE OF CONTRACT
Appointment of Palesa Technologies to assist with the domicile hardware and migration to a new server.	Palesa Technologies (Pty) Ltd	Single-Source	N/A	R78 975
Appointment of Dell to assist with the telephone hardware support for the Host server.	Dell Technologies	Single-Source	N/A	R3 410
Appointment of a service provider to conduct a half day virtual refresher training course on Occupational Health Safety Act (OHSA).	Abalanis Health Services (Pty) Ltd	Less than 3 quotes obtained	N/A	R11 385
Renewal of CaseWare Software based on sole service provider and continuity of services.	Adapt IT (Pty) Ltd	Sole-Source	N/A	R920 301
Emergency cleaning of restrooms and kitchens by House of cleaning (7 & 8 July 2023).	House of cleaning (Pty) Ltd	Single-Source	N/A	R8 395
Appointment of a service provider for renewal of checkpoint 5800 licences and ongoing support for 12 months.	Rapstar Technologies CC	Less than 3 quotes obtained	N/A	R980 291
Appointment of a service provider for renewal of Y-Soft Licences for a period of 12 months.	Konica Minolta SA	Less than 3 quotes obtained	N/A	R58 924
Appointment of Control Room and AV Solutions Pty Ltd as the preferred service provider to move and mount TV and its stand to another office.	Control Room and AV Solutions (Pty) Ltd	Less than 3 quotes obtained	N/A	R2 996
Request for the services of Tana Business Consulting Services to testify on behalf of GBE at CCMA.	Tana Business Consulting Services	Single-Source	N/A	R8 860
Renewal of licenses for Accountmate for a 12-month period.	ERP SA (Pty) Ltd	Sole-Source	N/A	R66 767
Subscription for Online Database (Academic Premier Research, Fintech and Dymatext).	EBSCO Information	Sole-Source	N/A	R864 500
Appointment of LexisNexis for renewal of 2023/24 online commentaries and law reports annual subscription for a 12-month period.	LEXIS NEXIS (Pty) Ltd	Sole-Source	N/A	R870 296
Renewal of manage engine software for a period of 12 months.	ITR Technology	Sole-Source	N/A	R540 344
Appointment of Outsource creative (Pty) Ltd as the preferred service provider for light boards with vision and mission statement.	Outsource Creative	Less than 3 quotes obtained	N/A	R9 500
Appointment of a service provider for renewal of SAS licence for a period of 12 months.	SAS Institute (Pty) Ltd	Sole-Source	N/A	R174 522
Appointment of Mami Flavours catering and events (Pty) Ltd as the preferred service to supply and deliver catering services for the - Prosthetic & Orthotic Training.	Mami Flavours catering and events (Pty) Ltd	Less than 3 quotes obtained	N/A	R7 483.00

Table 63: Supply Chain Management: Procurement by other means (continued)

PROJECT DESCRIPTION	NAME OF SUPPLIER	TYPE OF PROCUREMENT BY OTHER MEANS	CONTRACT NUMBER	VALUE OF CONTRACT
Appointment of Kwanni Catering (Pty) Ltd as the preferred service to supply and deliver catering services for Special EXCO Workshop.	Kwanni Catering (Pty) Ltd	Less than 3 quotes obtained	N/A	R7 890.00
Appointment of Tlana Consulting Services on the basis of continuation from the initial process (Job Evaluation and Salary benchmarking).	Tlana Consulting Services	Single-Source	N/A	R152 267
Request for the services of Tlana Business Consulting Services to testify on behalf of CRS at CCMA.	Tlana Business Consulting Services	Single-Source	N/A	R9 890
Appointment of X4 Consulting Solutions on an adhoc basis to provide support and consulting services for Internal Finance and Human Resources Units.	X4 Consulting Solutions	Single-Source	N/A	R89 600
Appointment of Sage South Africa (Pty) Limited for renewal of Sage Premier & HR, an HRIS annual subscription.	Sage South Africa (Pty) Ltd	Sole-Source	N/A	R136 606
Appointment of Square Telecommunications Pty Ltd as the preferred service provider to assist with the Dell Server and Storage on the Hyper-V cluster environment.	Square Telecommunications Pty Ltd	Less than 3 quotes obtained	N/A	R2 475 (Rate-based)
Total				R4 817 124

3.2. CONTRACT VARIATIONS AND EXPANSIONS

Table 64: Contract variations and expansions

PROJECT DESCRIPTION	NAME OF SUPPLIER	CONTRACT MODIFICATION TYPE (EXPANSION OR VARIATION)	CONTRACT NUMBER	ORIGINAL CONTRACT VALUE R'000	VALUE OF PREVIOUS CONTRACT EXPANSIONS OR VARIATIONS R'000	VALUE OF CURRENT CONTRACT EXPANSION OR VARIATION R'000
Contract extension of appointment of security service provider for period of four months.	Selrik Security Services	Expansion	CMS 01/2015/20	R2 168 872	-	R203 413
Contract extension for provision of short-term insurance services.	Lateral Unicorn	Expansion	CMS02/2021/22	R1 221 239	-	R556 859
Contract extension for Internal Audit Services for a period of one month.	Lo Yiki Inventions	Expansion	CMS01/2020/21	R3 578 886	-	R141 875
Total				R5 963 199	-	R901 946

PART F

FINANCIAL INFORMATION

STATEMENT OF RESPONSIBILITY

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

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

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

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

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

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

The Council members have reviewed the entity's cash flow forecast for the year to 31 March 2025 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has no reason to believe that it will not be a going concern in the year ahead.

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 104 to 108.

The annual financial statements set out on pages 109 to 141 which have been prepared on the going concern basis, were approved by the Council members on 31 July 2024 and were signed on its behalf by:

Dr Thandi Ndobeni
Chairperson

Dr Xolile Kobese
CEO and Registrar

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the Council for Medical Schemes set out on pages 189 to 241, which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council for Medical Schemes as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with the Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

BASIS FOR OPINION

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

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

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

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

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

REPORT ON THE ANNUAL PERFORMANCE REPORT

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

11. I selected the following material performance indicators related to programme 4 – frontline protection presented in the annual performance report for the year ended 31 March 2009. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of such a nature that relevant, community or public interest:

- Percentage of customer care interventions resulting from calls and e-mailed queries handled by the customer care centre.
- Percentage of complaints older than 120 calendar days unjudicated during the reporting period in accordance with the complaints standard operating procedures.
- Percentage of category 2 complaints adjudicated within 180 calendar days and in accordance with the complaints standard operating procedures.
- Percentage of category 1 complaints adjudicated within 60 calendar days and in accordance with the complaints standard operating procedures.
- Percentage of rulings submitted to Corporate Services for publication on the Council for Medical Schemes website within 30 days following the lapse of the three-month appeal deadline.
- The number of Council for Medical Schemes annual reports published.
- Percentage of category 1 ethical opinions provided within 30 working days of receipt of a request from the complaints adjudication unit.
- Percentage of category 2 ethical opinions provided within 60 working days of receipt of a request from the complaints adjudication unit.
- Percentage of category 3 ethical opinions provided within 90 working days of receipt of a request from the complaints adjudication unit.
- Percentage of clinical enquiries received via e-mail or telephone and responded to within seven days.

12. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

13. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives;
- all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included;
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements;
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated;
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents;
- the reported performance information presented in the annual performance report in the prescribed manner; and
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any underachievement of targets.

14. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

15. I did not identify any material findings on the reported performance information for the selected indicators.

REPORT ON COMPLIANCE WITH LEGISLATION

15. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.

17. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

19. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

19. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

CONSEQUENCE MANAGEMENT

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

OTHER INFORMATION IN THE ANNUAL REPORT

21. The accounting authority is responsible for the other information included in the annual report which includes the chairperson's foreword, Chief executive officer's overview, audit committee's report and human resources management. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped in programme presented in the annual performance report that have been identified as material in this auditor's report.

23. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

23. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped in programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

24. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

25. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

27. The matter reported below is limited to the significant internal control deficiencies that resulted in the material finding on compliance with legislation included in this report.

28. The accounting authority did not review and monitor compliance with applicable legislation, resulting in material non-compliance in consequence management.

Pretoria
31 July 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

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

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

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

FINANCIAL STATEMENTS

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

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

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

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore key audit matters. I describe those matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

COMPLIANCE WITH LEGISLATION - SELECTED LEGISLATIVE REQUIREMENTS

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act 1 of 1999 (PFMA)	Section 51(1)(e)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(b); 55(1)(d); Section 57(1)(e)(i); 66(1); 57(b); 66(4)
Treasury Regulation	Regulation 8.2.1; 8.2.2; 16A.6.2; 16A.6.2(a); Regulation 16A.6.1; 16A.6.2(a); 16A.6.2(b); Regulation 16A.6.2(c); 16A.6.2(d); 16A.6.2(e); Regulation 16A.3.6(c); 16A.6.4; 16A.6.5; 16A.6.6; Regulation 16A7.1; 16A7.3; 16A7.6; 16A7.7; Regulation 16A8.3; 16A8.4; 16A8.1(d); Regulation 16A8.1(c); 16A8.1(e); 16A9.1(f); Regulation 16A8.2; 16A8.2(a&b); 30.1.1; Regulation 31.1.2(c); 31.1.2(e); 31.1.2(f); 31.2.1; Regulation 31.1.2(c); 31.2.1; 31.2.3; 31.2.7(a); Regulation 33.1.1; 33.1.3
Construction Industry Development Board Act 38 of 2000	Section 10(1)
Construction Industry Development Board Regulations 2004	Regulation 17; 25(7A)
Second amendment National Treasury Instruction No. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 2020/21	Paragraph 2
National Treasury Instruction No 8 of 2020/21	Paragraph 1.6; 4.8; 5.3
National Treasury Instruction No. 1 of 2021/22	Paragraph 4.1
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2 (b); 4.2; 4.4(a); 4.17; 7.2; 7.6
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph: 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph: 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Practice Note 11 of 2008/9	Paragraph: 2.1; 3.1(b)
Practice Note 5 of 2009/10	Paragraph: 3.3
Practice Note 7 of 2009/10	Paragraph: 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Paragraph: 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Paragraph: 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.3 Paragraph: 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5 Paragraph: 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2 Paragraph: 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

	NOTE(S)	2024 R'000	2023 R'000
ASSETS			
CURRENT ASSETS			
Receivables from exchange transactions	3	7 444	6 635
Cash and cash equivalents	4	59 123	51 708
		66 567	58 343
NON-CURRENT ASSETS			
Property, plant and equipment	5	7 457	8 211
Intangible assets	6	1 359	1 540
Security deposit	27	4 540	4 200
		13 356	13 951
Total Assets		79 923	72 294
LIABILITIES			
CURRENT LIABILITIES			
Finance lease obligation	8	486	-
Operating lease liability	10	-	650
Payables from exchange transactions	7	32 664	29 127
Unspent conditional grants and receipts	13	2 080	2 080
Provisions	9	3 517	2 850
		38 747	34 707
NON-CURRENT LIABILITIES			
Finance lease obligation	8	758	-
Provisions	9	8 261	6 772
		9 019	6 772
Total Liabilities		47 766	41 479
Net Assets		32 157	30 815
Accumulated surplus		32 157	30 815
Total Net Assets		32 157	30 815

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2024

	NOTE(S)	2024 R'000	2023 R'000
Revenue	12	207 464	195 529
(Loss)/gain on disposal of assets	20	(43)	12
Administrative expenses	14	(35 153)	(29 202)
Finance costs	18	(106)	-
Auditors' remuneration	15	(2 227)	(2 007)
Operating expenses	16	(27 468)	(18 410)
Staff costs	17	(145 840)	(120 483)
Depreciation and amortisation	5&6	(4 051)	(2 442)
Interest income	12	8 566	5 561
Surplus for the year		1 342	28 559

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2024

	ACCUMULATED SURPLUS R'000	TOTAL NET ASSETS R'000
Balance at 1 April 2022	2 256	2 256
Surplus for the year	28 559	28 559
Balance at 31 March 2023	30 815	30 815
Surplus for the year	1 342	1 342
Balance at 31 March 2024	32 157	32 157

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2024

	NOTE(S)	2024 R'000	2023 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Proceeds from levies and fees		200 693	188 061
Transfers		6 864	6 506
Interest received		8 567	5 551
		216 124	200 107
PAYMENTS			
Employee costs		(141 605)	(112 130)
Suppliers		(94 745)	(52 812)
Finance costs		(100)	-
		(236 456)	(165 942)
Net Cash Flows from Operating Activities	21	**9 668**	**35 065**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(1 648)	(1 371)
Proceeds from sale of property, plant and equipment	5	17	38
Security deposit	27	(340)	(325)
Net Cash Flows from Investing Activities		**(1 969)**	**(1 458)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(284)	-
Net Increase Cash and Cash Equivalents		**7 415**	**33 607**
Cash and cash equivalents at the beginning of the year		51 708	18 101
Cash and Cash Equivalents at the End of the Year	4	**59 123**	**51 708**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2024

	APPROVED BUDGET R'000	ADJUSTMENTS R'000	FINAL BUDGET R'000	ACTUAL AMOUNTS ON COMPARABLE BASIS R'000	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL R'000	REF
STATEMENT OF FINANCIAL PERFORMANCE REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Accreditation fees, registration, appeal fees and inspection fees recovered	7 517	-	7 517	9 161	1 644	
Levy income	190 818	1 953	192 771	192 575	-4	
Legal fees recovered	-	-	-	121	121	
Other income	392	-	392	914	522	
Interest received	3 171	3 876	6 649	8 367	1 718	
Total revenue from exchange transactions	199 898	5 831	205 329	209 240	4 609	
REVENUE FROM NON- EXCHANGE TRANSACTIONS						
Surplus funds	-	23 923	23 923	-	(23 923)	1
Transfer revenue						
Government transfers	6 537	-	6 537	6 537	-	
Mandatory transfer (DHET)	-	-	-	327	327	
Total revenue from non- exchange transactions	6 537	23 923	30 460	6 864	(23 596)	
Total revenue	206 145	29 754	235 899	216 112	(19 987)	
Expenditure						
Personnel	(132 236)	(10 147)	(142 383)	(133 046)	9 337	2
Social contributions	(4 262)	(100)	(4 362)	(4 047)	315	
Advertising	(720)	(360)	(1 080)	(1 055)	475	
Agency and support/outsourced services	(97)	34	(63)	(34)	29	
Audit costs	(1 000)	-	(1 000)	(1 062)	(62)	
Board costs	(4 600)	-	(4 600)	(5 083)	(283)	
Bank charges	(120)	-	(120)	(85)	35	
Building expenses	(5 750)	169	(5 580)	(5 524)	56	
Communication	(1 322)	2 152	(1 170)	(564)	206	
Consultants	(11 577)	1 792	(9 786)	(4 714)	5 071	3
Computer expenses	(5 208)	(4 328)	(9 536)	(8 253)	1 283	
Legal fees	(6 900)	(8 812)	(15 720)	(14 712)	1 008	
Non-life insurance	(600)	(150)	(750)	(775)	175	
Printing and publication	(830)	(314)	(844)	(195)	649	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

	APPROVED BUDGET R'000	ADJUSTMENTS R'000	FINAL BUDGET R'000	ACTUAL AMOUNTS ON COMPARABLE BASIS R'000	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL R'000	REF
Rental of buildings and office equipment	(15 120)	(40)	(15 160)	(13 991)	1 177	
Repairs and maintenance	(1 040)	359	(697)	(334)	133	
Staff costs	(3 162)	(2 915)	(6 357)	(5 668)	(589)	
Finance costs	-	-	-	(100)	(100)	
Training and development	(1 713)	(1 160)	(2 873)	(2 240)	633	
Travel and subsistence	(1 257)	(44)	(1 301)	(1 154)	147	
Venue and facilities	(820)	(370)	(1 190)	(570)	622	
Other unclassified goods and services	(3 429)	(399)	(3 828)	(2 369)	1 459	
Total expenditure	(203 645)	(24 454)	(228 100)	(206 444)	21 656	
Surplus for the year	2 499	5 100	7 599	9 658	2 059	
Actual Amount on a comparable Basis as Presented in the Statement of Comparison of Budget and Actual Amounts	2 499	5 100	7 599	9 658	2 059	

RECONCILIATION

BASIS OF ACCOUNTING DIFFERENCE	
Depreciation and amortisation	(4 051)
Loss on sale of assets	(43)
MOVEMENT IN WORKING CAPITAL	
Movement in provisions	(2 165)
Change in receivables from exchange transactions	809
Change in payables from exchange transactions	(3 536)
Movement in opening leave	669
Actual Amount in the Statement of Financial Performance	1 342

NOTE

Basis of accounting:

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

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

Classification basis:

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

Period of the approved budget:

01 April 2023 to 31 March 2024

The approval of levy rate:

The 2023/2024 levy rate was approved in terms of section 24(1) of the Council for Medical Schemes Levies Act, 2000 (Act no 58 of 2000) by the Minister of Health with the concurrence of the Finance Minister.

Calculated materially and significant value on estimates in terms of Treasury Regulation 28.2.1 amounts to R 2 010 000. Positive and negative differences above the calculated materiality are explained in this statement below:

The variance is attributable to the following factors:

1) The variance against approval granted by National Treasury in terms SCOA of the PFMA relates to adjustments for the 2023/24 financial year.

2) The variance is due to funded positions that were in the process of appointment, resignations during the year and additional funding received for under-spending earmark.

3) Commissioned inspections are mainly based on complaints and unexpected risk in operations. There were less commissioned inspections than anticipated. Furthermore, some planned projects were deferred to the next financial year.

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 89 of the Public Finance Management Act (Act 1 of 1999).

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

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

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

These accounting policies are consistent with the previous period.

1.1 PRESENTATION CURRENCY

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

1.2 GOING CONCERN ASSUMPTION

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

1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

IMPAIRMENT TESTING

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

PROVISIONS

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

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

EFFECTIVE INTEREST RATE

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

ALLOWANCE FOR DOUBTFUL DEBTS

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

DEPRECIATION AND AMORTISATION

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

1.4 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.1 INTANGIBLE ASSETS

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

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

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

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

Intangible assets are derecognised:

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

1.6 FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

CLASSIFICATION

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

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

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

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

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

1.7 STATUTORY RECEIVABLES IDENTIFICATION

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

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

The cost method is the method used to account for statutory receivables that requires such receivables to be measured

at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

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

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

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

RECOGNITION

The entity recognises statutory receivables as follows:

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

INITIAL MEASUREMENT

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

SUBSEQUENT MEASUREMENT

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

- Interest or other charges that may have accrued on the receivable (where applicable);
- Impairment losses; and
- Amounts derecognised.

IMPAIRMENT LOSSES

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

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

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

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory

receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

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

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

1.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and demand deposits. Cash equivalents are held for the purpose of meeting the short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents.

1.9 LEASES

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

FINANCE LEASES - LESSEE

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the prime rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rentals are expensed in the period in which they are incurred.

OPERATING LEASES - LESSEE

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

1.10 EMPLOYEE BENEFITS

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

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

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

SHORT-TERM EMPLOYEE BENEFITS

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

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

1.11 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;

- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

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

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

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

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

Contingent assets and contingent liabilities are possible assets and liabilities whose occurrence depends on whether some uncertain future event occurs or payment is not probable or the amount cannot be measured reliably. Contingent assets and liabilities are not recognised. Contingencies are disclosed in Note 22.

1.12 COMMITMENTS

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.13 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

- Accreditation fees: Accreditation fees are fixed tariffs paid by administrators, managers, healthcare organisations

and brokers over two years. Accreditation fees are recognised in the financial period in which services are rendered.

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

MEASUREMENT

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

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

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

1.14 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor. Revenue from non-exchange transactions comprise the following:

1. Grant from the Department of Health which is sometimes conditional or unconditional.

2. Mandatory transfer from the Department of Higher Education and Training.

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

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

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

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

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

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

RECOGNITION

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

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

1.15 FINANCE COSTS

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

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

1.16 COMPARATIVE FIGURES

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

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

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

1.17 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.18 IRREGULAR EXPENDITURE

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

(a) This Act

(b) The State Tender Board Act, No 68 of 1998 or any regulations made in terms of this Act

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

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

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

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

Where irregular expenditure was incurred and identified during the current financial year and the amount was recovered or written off during the same financial year, the expenditure must be recorded in the irregular expenditure register. In such instances, no further action is required with the exception of updating the note to the financial statements.

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. In order to ensure that the irregular expenditure can be dealt with in the prescribed manner, all cases must be recorded. If such a person is liable in law, immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure must be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain recorded in the irregular expenditure register. In such instances, no further action is required with the exception of updating the note to the financial statements and updated accordingly in the irregular expenditure register.

1.29 BUDGET INFORMATION

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

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

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

The approved budget covers the fiscal period from 2023-04-01 to 2024-03-31.

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

1.30 RELATED PARTIES

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

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

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

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

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

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

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

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

1.25 EVENTS AFTER REPORTING DATE

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

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

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

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

1.26 PREPAYMENTS

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

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

1.28 INCOME RECEIVED IN ADVANCE

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

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2024 or later periods:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
GRAP 25 (as revised 2021): Employee Benefits	01 April 2025	Unlikely there will be a material impact
iGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2025	Unlikely there will be a material impact
GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2024 R'000	2023 R'000
Statutory receivable	189	1 316
Sundry debtors	2 559	2 134
Prepaid expenses	4 716	3 185
	7 444	**6 635**

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

Rule amendments in terms of Regulation 31 of the Medical Schemes Act (No.131 of 1998)	189	96
Inspection costs recoverable from inspected schemes in terms of Regulation 40 of the Financial Sector Regulation Act No. 9 of 2017	-	969
Penalties in terms of Section 66 of the Medical Schemes Act (131 of 1998)	-	251
	189	**1 316**
Included in receivables from exchange transactions above are prepaid expenses and interest receivable	**7 275**	**5 319**
Total receivables from exchange transactions	**7 444**	**6 635**

ACCOUNTS RECEIVABLE AGEING	CURRENT R'000	30 DAYS R'000	60 DAYS R'000	90 DAYS R'000	120 DAYS R'000	OVER 120 DAYS R'000
Sundry Debtors	487	-	-	-	-	2 071
Subtotal	487	-	-	-	-	2 071
	487	-	-	-	-	**2 071**

Sundry debtors of R2 558 576 comprise legal fees recovered of R2 070 641 over 120 days, interest received of R12 590 current and a payroll related costs of R475 574 current. The ageing is from the invoice date.

Statutory receivables include rule amendment of R16 606 current, R629 over 30 days, R125 058 over 60 days, R26 872 over 90 days.

An allowance for doubtful debt of R969 000 (2023: R0) has been raised in relation to inspection fees recoverable from a scheme. This amount is long outstanding and recoverability is no longer certain. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

The creation of the allowance for doubtful debt has been included in the administrative expenses in the surplus for the year.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	8 143	700
CPD account	50 980	51 008
	59 123	**51 708**

Corporation For Public Deposits (CPD) account, a subsidiary of the Reserve bank of South Africa, consists of surplus funds held in terms of S31.3.3(a) of National Treasury regulations.

5. PROPERTY, PLANT AND EQUIPMENT

	2024			2023		
	COST R'000	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R'000	CARRYING VALUE R'000	COST R'000	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R'000	CARRYING VALUE R'000
Furniture and fixtures	8 479	(6 330)	2 149	8 519	(5 605)	2 914
Motor vehicles	470	(425)	45	470	(403)	67
Office equipment leased	1 527	(214)	1 313	-	-	-
Computer equipment	19 270	(15 579)	3 691	18 717	(14 531)	4 186
Computer software	1 049	(1 000)	49	2 163	(2 088)	75
Leasehold improvements	11 880	(11 880)	60	11 980	(11 203)	777
Other fixed assets	763	(613)	150	769	(597)	192
Total	43 538	(36 081)	7 457	42 638	(34 427)	8 211

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2024

	OPENING BALANCE R'000	ADDITIONS R'000	ADDITIONS THROUGH LEASED ASSETS R'000	DISPOSALS R'000	DEPRECIATION R'000	TOTAL R'000
Furniture and fixtures	2 914	87	-	(0)	(814)	2 149
Motor vehicles	67	-	-	-	(23)	44
Office equipment leased	-	-	1 527	-	(214)	1 313
Computer equipment	4 186	1 569	-	(50)	(2 035)	3 690
Computer software	75	-	-	-	(26)	49
Leasehold improvements	777	-	-	-	(717)	60
Other fixed assets	192	-	-	-	(42)	150
	8 211	1 648	1 527	(50)	(3 871)	7 455

The CMS has some property, plant and equipment that have a zero carrying value and are still in use. The entity reassesses the useful life of its assets annually and the impact of such an assessment is not considered material.

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2023

	OPENING BALANCE R'000	ADDITIONS R'000	DISPOSALS R'000	DEPRECIATION R'000	TOTAL R'000
Furniture and fixtures	3 228	84	-	(398)	2 914
Motor vehicles	93	-	-	(26)	67
Computer equipment	4 008	1 187	(25)	(983)	4 187
Computer software	103	-	-	(28)	75
Leasehold improvements	1 033	-	-	(256)	777
Other fixed assets	237	-	-	(45)	192
	8 288	1 271	(25)	(2 234)	8 212

6. INTANGIBLE ASSETS

	2024			2023		
	COST R'000	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT R'000	CARRYING VALUE R'000	COST R'000	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT R'000	CARRYING VALUE R'000
Developed software	2 877	(2 182)	795	2 877	(2 048)	929
Acquired software	911	(347)	564	3 085	(2 485)	611
Total	3 888	(2 529)	1 359	6 073	(4 533)	1 540

RECONCILIATION OF INTANGIBLE ASSETS - 2024

	OPENING BALANCE R'000	DISPOSALS R'000	AMORTISATION R'000	TOTAL R'000
Developed software	929	-	(135)	794
Acquired software	611	(2)	(45)	564
	1 540	(2)	(180)	1 358

Acquired software with a cost of R2 185 000 have been disposed during the year.

RECONCILIATION OF INTANGIBLE ASSETS - 2023

	OPENING BALANCE R'000	AMORTISATION R'000	TOTAL R'000
Developed software	1 092	(163)	929
Acquired software	656	(45)	611
	1 748	(208)	1 540

7. PAYABLES FROM EXCHANGE TRANSACTIONS

	2024 R'000	2023 R'000
Account payables	10 953	13 614
Income received in advance	1 380	1 515
Accrual for leave pay	4 474	3 864
Accruals	15 657	10 114
	32 664	29 127

ACCOUNT PAYABLES AGEING

	CURRENT R'000	30 DAYS R'000	60 DAYS R'000	120 DAYS R'000	120 DAYS AND OVER R'000
	5 387	-	55	2 511	2 954

8. FINANCE LEASE PAYABLES

	2024 R'000	2023 R'000
MINIMUM LEASE PAYMENTS DUE		
Within 1 year	608	-
In second to fifth year inclusive	824	-
	1 432	-
less: future finance charges	(188)	-
Present value of minimum lease payment	1 244	-
PRESENT VALUE OF MINIMUM LEASE PAYMENTS DUE		
Within 1 year	486	-
In second to fifth year inclusive	758	-
	1 244	-
Non-current liability	758	-
Current liability	486	-
	1 244	-

The CMS entered into finance leasing arrangement for photocopier machines. The lease term is 3 years and the effective lending rate is 11.75%. The lease payments do not escalate over the lease period. The leasing arrangement has an option to renew for maximum of 2 years at no costs.

None of the leased assets has been pledged as security for liabilities or contingent liabilities.

9. PROVISIONS

RECONCILIATION OF PROVISIONS - 2024	OPENING BALANCE R'000	ADDITIONS R'000	UTILISED DURING THE YEAR R'000	TOTAL R'000
Provision for long service award	7 612	2 042	(853)	8 801
Provision for court cases	820	-	-	820
Provision for performance bonus	1 190	2 158	(1 190)	2 158
	9 622	4 200	(2 043)	11 779

RECONCILIATION OF PROVISIONS - 2023	OPENING BALANCE R'000	ADDITIONS R'000	UTILISED DURING THE YEAR R'000	TOTAL R'000
Provision for long service award	5 186	2 862	(436)	7 612
Provision for court cases	1 010	-	(190)	820
Provision for performance bonus	-	1 190	-	1 190
	6 196	4 052	(626)	9 622

	2024 R'000	2023 R'000
Non-current liabilities	8 262	6 772
Current liabilities	3 517	2 850
	11 779	9 622

9. PROVISIONS (CONTINUED)

PROVISION FOR LONG SERVICE AWARD

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

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

- Salary inflation 7.74% (2022/23: 6.56%)
- Discount rate 11.75% (2022/23: 11.25%)
- Retention rate 69% (2022/23: 69%)

PROVISION FOR PERFORMANCE BONUS

The performance bonus provision is based on the performance management policy.

PROVISION FOR COURT CASES

The provision for court cases relates to cases that have been finalised but costs still to be determined by the Tax Master. The provision arose from a case against Sizwe Medical Scheme which CMS lost in 2020 financial year. The reasonable estimate made by lawyers for the costs was R620 170.

10. OPERATING LEASE ACCRUAL

	2024 R'000	2023 R'000
Non-current liabilities	-	-
Current liabilities	-	650
	-	650

OPERATING LEASE COMMITMENT

Within a year	15 318	14 584
In second to fifth year inclusive	1 283	1 205
	16 601	15 789

The CMS building lease agreement was extended for 12 months ending 30 April 2024. A further extension was concluded for another 12 months period ending 30 April 2025 which is cancellable at any point before the said date. An increase of 6.5% is levied on the second extension.

The lease commitment disclosed does not relate to an uncancellable lease since the CMS has not secured new premises, the commitment relates to the maximum period which management can remain in the building according to the renewal term.

11. FINANCIAL INSTRUMENTS DISCLOSURE

CATEGORIES OF FINANCIAL INSTRUMENTS	AT AMORTISED COST	TOTAL
2024		
FINANCIAL ASSETS	R'000	R'000
Trade and other receivables from exchange transactions	2 559	2 559
Cash and cash equivalents	59 123	59 123
Security deposit	4 540	4 540
	66 222	66 222
FINANCIAL LIABILITIES		
Trade and other payables from exchange transactions	26 606	26 606
2023		
FINANCIAL ASSETS		
Trade and other receivables from exchange transactions	2 134	2 134
Cash and cash equivalents	51 708	51 708
Security deposit	4 200	4 200
	58 042	58 042
FINANCIAL LIABILITIES		
Trade and other payables from exchange transactions	23 728	23 728

12. REVENUE

	2024 R'000	2023 R'000
Accreditation fees	7 810	7 130
Government transfers: Department of Health	6 637	6 272
Appeal/Inspection fees recovered	644	20
Interest received - investment	8 556	5 561
Legal fees recovered	83	1 898
Levies income	190 575	178 866
Mandatory transfer: Department of Higher Education and Training	327	233
Registration fees	464	456
Sundry income	824	854
	216 030	201 090

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

Accreditation fees	7 810	7 130
Levy income	190 575	178 886
Registration fees	464	456
Sundry income	824	654
Legal fees recovered	83	1 898
Appeal/inspection fees recovered	844	20
Interest received- investment	8 568	5 561
	209 166	194 585

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

TRANSFER REVENUE		
Government transfers: Department of Health	6 537	6 272
Mandatory transfer: Department of Higher Education and Training	327	233
	6 864	6 505

13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

GRANT RECEIVED FROM DEPARTMENT OF HEALTH		
Conditional grant received	2 080	2 080

The CMS received grants in the amount of R2 556 000 in 2015/16 and R1 613 000 in 2016/17 with a condition to complete development and maintenance of Medicines Pricing Registry and Central Beneficiary Registry Both these projects are now closed. The remaining funds from these projects are ring-fenced in the CPD account.

14. ADMINISTRATIVE EXPENSES

	2024 R'000	2023 R'000
Bad debts	969	-
Bank charges	85	82
Building expenses	2 064	2 045
Debt impairment	-	339
General administrative expenses	1 372	942
Insurance	901	298
Printing and stationery	232	338
Rent - Office building	13 944	11 690
Rent- Operating expenses	3 149	3 244
Rental copiers	-	201
Security	595	588
Settlement discount expense	-	207
Subscriptions	352	347
Telecommunication expenses	9 262	7 254
Training	2 228	1 669
	35 153	29 202

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

Repairs and maintenance	544	782

15. AUDITORS' REMUNERATION

External audit	914	870
Internal audit	1 313	1 137
	2 227	2 007

16. OPERATING EXPENSES

Audit and risk committee remuneration	318	262
Consulting	3 720	2 245
Council members fees	4 433	3 916
Exhibition costs	37	42
Inspection costs	515	408
Knowledge management	1 583	1 459
Labour costs	1 648	343
Legal fees	12 121	6 602
Media and Promotions	1 205	1 051
Postage and courier	4	19
Printing and publication	229	478
Transcription	34	25
Travel - local	1 133	739
Venue and catering	468	693
	27 468	18 410

17. STAFF COSTS

	2024 R'000	2023 R'000
Employee benefits	3 889	3 444
Recruitment and relocation	513	1 317
Salaries	137 095	113 640
Temporary staff	3 955	1 995
Workmen's compensation	156	96
	145 640	120 493
Total number of employees	125	123

18. SETTLEMENT DISCOUNT EXPENSE

Settlement discount expense	-	297

19. FINANCE COSTS

Finance lease	100	-

20. OPERATING SURPLUS

The CMS disposed of some assets during the year with proceeds of R17 250		
(Loss)/gain on disposal of assets	(43)	12

21. CASH GENERATED FROM OPERATIONS

Surplus	1 349	26 559
Adjustments for:		
Depreciation and amortisation	4 091	2 442
Loss/(gain) on sale of assets	43	(12)
Movements in operating lease assets and accruals	(650)	(4 107)
Movements in provisions	2 155	3 429
Changes in working capital:		
Receivables from exchange transactions	(108)	(2 431)
Payables from exchange transactions	2 536	7 180
	9 666	35 060

22. CONTINGENCIES

22.1. CONTINGENT LIABILITIES

22.1.1 The two former General Managers and the former late CFO whose contracts with CMS expired on 31 March 2020 and were not renewed, referred a dispute of legitimate expectation of renewal of their fixed term contracts to CCMA. The former General Managers received the award in their favour at the CCMA and the CMS had since referred the matter to the Labour Court for review. The amount of the award is estimated at R5 638 962. Another General Manager referred an unfair dismissal dispute to the CCMA and he received an award in his favour. The CMS had since referred the matter to the Labour Court for review. The amount of the award is estimated at R2 835 000 however, it was impracticable to estimate the outcome probability for these cases in the Labour Court.

22. CONTINGENCIES

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

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

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

22.1.5 The following cases are still ongoing in courts of which the judgements are still pending and it is impractical is to estimate their outcome probability, in some matters below it is impractical to estimate the costs.

- The CMS vs Mowadtsa (S59 challenge).
- CMS vs BP Medical Society (Curatorship).
- Optimed vs CMS (challenge on powers of Registrar).
- Discovery Medical Scheme vs CMS (Illegal vouchers).
- 3Sixty (appeal on refusal of exemption).
- CMS/Discovery Holdings consolidation (appeal on the imposition of condition for DHMS to be appointed as an administration service provider).
- LCSO cases (appeals in respect of Circular 50 and 52 to abolish primary healthcare products).
- The CMS/Labour vs Genesis Medical Scheme. The cost is estimated at an amount of R431 364.
- CMS vs Netcare (Curatorship). The costs are estimated at R585 000.
- CMS vs Pelmed (Regulatory matters).

22.1.6 Dispute over invoices from Special Investigative Unit (SIU).

- CMS/Registrar vs SIU (CMS disputing SIU invoices of which the cost is R5 508 990).

22.1.7 Surrender of surplus funds

- In line with section 93(3) of the PFMA, the CMS may not accumulate surpluses that were realised in previous financial years without obtaining prior written approval from National Treasury. In the 2020/21 financial year the CMS has reported an accumulated surplus of R27 629 000 and will be applying to the National Treasury to retain these funds by the end of September 2021 as required by the National Treasury Instruction Note no.12 of 2020/21. The probability of success is unknown as the decision vests with the National Treasury.

22.2 CONTINGENT ASSETS

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

- The CMS vs Government Employees Medical Scheme. The cost is estimated at an amount of R3 153 439.
- CMS vs Health Squared Medical Scheme. It is impractical to estimate costs as the scheme is under liquidation.
- CMS vs Willem Coetzee Medical Aid Scheme. It is impractical to estimate costs as the matter is ongoing.

23. RELATED PARTIES

RELATIONSHIPS

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

RELATED PARTY BALANCES	2024 R'000	2023 R'000
TRANSFER PAID TO/(RECEIVED FROM) RELATED PARTIES		
Department of Health	(6 537)	(6 272)

24. REMUNERATION OF MANAGEMENT

EXECUTIVE: 2024	BASIC SALARY R'000	PERFORMANCE MANAGEMENT R'000	TOTAL R'000
Chief Executive and Registrar - Dr S. Kabane	3 397	152	3 549
Chief Financial Officer - Ms A. Zinja	2 604	103	2 707
Chief Information Officer - Dr D. Juman - Owther (Appointed 1 September 2023)	1 338	-	1 338
Executive: Corporate Services - Mr Z. Baloyi	2 491	41	2 532
Executive: Research and Monitoring - Mr M. Wille	2 584	84	2 670
Executive: Regulation - Mr M. Mawonjanyi	2 563	73	2 636
Executive Manager: Office of the Chief Executive and Registrar - Mr R. Sadiki	2 104	78	2 182
Executive: Member Protection - Dr T. Pobliva (Appointed 1 November 2023)	960	-	960
	18 059	531	18 590

EXECUTIVE: 2023	BASIC SALARY R'000	PERFORMANCE MANAGEMENT R'000	ACTING ALLOWANCE AND OTHER R'000	TOTAL R'000
Chief Executive and Registrar - Dr S. Kabane	2 737	23		2 760
Chief Financial Officer - Ms A. Zinja	1 691			1 691
Chief Information Officer - Mr E. Thiele (Terminated 31 January 2023)	1 394		88	1 482
Executive: Corporate Services - Mr Z. Baloyi	1 563			1 563
Executive: Research and Monitoring - Mr M. Wille	1 650	12		1 662
Executive: Regulation - Mr M. Mawonjanyi	1 836	9	67	1 910
Executive Manager - Office of the Chief Executive and Registrar - Mr R. Sadiki	1 650	13		1 663
	13 915	56	155	13 326

24. REMUNERATION OF MANAGEMENT (CONTINUED)

NON-EXECUTIVE: 2024	MEMBERS' FEES R'000	TOTAL R'000
Dr T Nxesi (2nd term 15 November 2023)	709	709
Mr M. Mokwena (Term ended 15 November 2023)	407	407
Dr M. Maisiwana (Term ended 15 November 2023)	580	580
Mr M. Mfundisi (2nd term 15 November 2023)	361	361
Dr H. Mukhari (2nd term 15 November 2023)	341	341
Mr N. Raheman (2nd term 15 November 2023)	181	181
Dr S. Naidoo (2nd term 15 November 2023)	594	594
Dr K. Ngobese (2nd term 15 November 2023)	529	529
Ms D Tantsinsha (Term ended 15 November 2023)	470	470
Mr T Esterhuyse (Appointed 15 November 2023)	43	43
Mr P Moasejane (Appointed 15 November 2023)	44	44
Mr A. Chogle (Appointed 15 November 2023)	66	66
Ms M. Ramagaga (Appointed 15 November 2023)	11	11
Ms P Bock (Appointed 15 November 2023)	66	66
	4 433	4 433

Not included in the above non-executive members are Mr I. Vanker, Dr A. Thulare and Adv. R. Mamburas who are public servants and whose term ended on the 15 November 2023. Also not included in the above non-executive members are Dr K. Chetty and Mr M. Nkosi who are public officials and appointed on the 15 November 2023. Also not included is Dr P. Mbava who was appointed for the 2nd term but serves in a public entity.

NON-EXECUTIVE: 2023	MEMBERS' FEES R'000	TOTAL R'000
Dr T Nxesi	320	320
Dr P Mbava	113	113
Mr M. Mokwena	580	580
Dr M. Maisiwana	826	826
Mr M. Mfundisi	91	91
Dr H. Mukhari	370	370
Mr N. Raheman	95	95
Dr S. Naidoo	541	541
Dr K. Ngobese	332	332
Ms D.Tantsinsha	760	760
	3 917	3 917

INDEPENDENT AUDIT AND RISK COMMITTEE MEMBERS' REMUNERATION: 2024	FEES FOR SERVICE AS MEMBER OF AUDIT AND RISK COMMITTEE R'000	TOTAL R'000
Mr J.N. Rugnolo	93	93
Ms D.Thobede	54	54
Dr M. Phosa (Chairperson)	171	171
	318	318

Not included in the above audit and risk committee members are Dr K. Ngobese, Mr R Masegare and Mr A. Chogle who represent Council in this committee.

24. REMUNERATION OF MANAGEMENT (CONTINUED)

INDEPENDENT AUDIT AND RISK COMMITTEE MEMBERS' REMUNERATION: 2023	FEES FOR SERVICE AS MEMBER OF AUDIT AND RISK COMMITTEE R'000	TOTAL R'000
Mr L. Matshekga (Contract ended 03 February 2023)	185	185
Ms S. Moloi (Contract ended 03 February 2023)	44	44
Mr J.N. Raphola	16	16
Ms D.Thabede	11	11
Dr M. Phosa	36	36
	292	292

Not included in the above audit and risk committee members is Mr I. Venker who once served in the committee representing Council and later resigned in this committee and Dr T. Mabeba and Dr X. Ngobese who represent Council in this committee.

25. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

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

LIQUIDITY RISK

The entity's risk in relation to liquidity is a result of payment of its payables. Those payables are all due within the short-term. The CMS manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in the CPD account of R50 900 383 as at 31 March 2024.

CREDIT RISK

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

Trade receivables comprise of medical schemes. Management evaluates credit risk relating to customers on an ongoing basis.

MARKET RISK

INTEREST RATE RISK

The entity invests surplus funds in the CPD account. The interest rates on this account fluctuate in line with movements in money market rates. The impact on investment revenue of a percentage shift would be a maximum increase/decrease of R50 900.

26. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

	2024 R'000	2023 R'000
Add: Irregular expenditure - current	893	1 410
Add: Irregular expenditure prior year - identified current year	-	52
Add: Fruitless and wasteful - current	-	13
	893	1 475

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

Irregular expenditure and fruitless and wasteful expenditure are investigated by the Loss Control Committee. In the 2023/24 financial year, no matters relating to criminality were identified. Where disciplinary steps have not been taken and are warranted, the Loss Control Committee makes recommendation accordingly.

27. SECURITY DEPOSIT

Invested amount	4 540	4 200

This amount comprises R2 815 000 and R1 000 000 relating to a CCMA award for one former General Manager and 3 other former General Managers respectively and includes interest (2024: R340 000; 2023: R225 000) compounded over the investment period. The CMS has placed these funds into a security deposit account as mandated by S146 of Labour Relations Act.

The term of the investment is dependant on the finalisation of the cases mentioned above. Interest rates associated with the investment fluctuates with the Reserve bank prime rate. Payments will be done once the cases have been finalised.

The CMS placed these funds with a major reputable bank with high quality credit standing and limited the exposure to one counterparty.

28. GOING CONCERN

We draw attention to the fact that at 31 March 2024, the entity had an accumulated surplus of R32 157 and that the entity's total assets exceed its liabilities by R32 157.

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

PART G

OVERVIEW OF CMS ACTIVITIES

1. SUPPORT TO THE NATIONAL DEPARTMENT OF HEALTH

The CMS provided policy and technical support in Mbalo on several projects as per Section 7 of the Act during the period under review. The CMS conducted continued support for validating HIV/STI data from medical schemes in support of SANAC in consultation with the Department. Technical support was provided to the National Health Amendment (NHA) regarding the private sector health expenditure; the report was handed to the Minister for consideration. Support for other policy issues, mainly the development of guidelines for undesirable practices related to consumer co-payments and designated service providers, was also provided.

2. BURDEN OF DISEASE AND UTILISATION OF HEALTHCARE SERVICES

PREVALENCE OF CHRONIC DISEASES IN THE MEDICAL SCHEMES' POPULATION

The CMS conducted a comprehensive study between 2014 and 2020 to assess the prevalence of chronic conditions among medical scheme beneficiaries. The study found that chronic respiratory ailments, notably asthma and chronic obstructive pulmonary disease (COPD), stand out as significant health burdens that align with global trends.

The study confirms their prevalence and echoes a concerning increase in cases of bronchiectasis, echoing concerns raised in prior research. The study also acknowledges the heightened prevalence of psychiatric disorders, amidst the COVID-19 pandemic. While neurological disorders like epilepsy and multiple sclerosis are discussed in both sources, the study falls short in providing country-specific data, suggesting a need for further research to elucidate the local epidemiological landscape. Chronic kidney disease, briefly mentioned in the study, aligns with the literature's emphasis, though prevalence data remain elusive.

The study recommends that, based on the findings and analysis presented, several key recommendations can be proposed for medical schemes in South Africa. Firstly, there is a need for an enhanced focus on disease management programmes, prioritising early detection, proactive management, and patient education to address chronic conditions effectively. Secondly, adopting an integrated care approach that fosters collaboration among healthcare providers can optimise patient outcomes and reduce healthcare costs associated with chronic diseases. Additionally, medical schemes should invest in promoting preventive health measures, such as vaccination campaigns, smoking cessation programmes, and lifestyle modification initiatives to reduce the incidence and severity of chronic diseases. Leveraging data analytics and predictive modelling techniques can enable medical schemes to identify high-risk individuals and tailor interventions accordingly, supporting informed decision-making and efficient resource allocation.

Moreover, promoting patient-centred approaches that emphasise holistic care and patient empowerment can lead to better treatment adherence, improved health outcomes, and enhanced patient satisfaction. Given the increased prevalence of mental health disorders, as well as one of the COVID-19 syndrome, medical schemes should also focus on expanding access to mental health support services and integrating mental health screening into routine care protocols. Investing in health promotion and education initiatives and fostering stakeholder collaboration can further empower beneficiaries to adopt healthier lifestyles and proactively manage their health.

3. POLICY RESEARCH AREAS

PMB REVIEW

Progress was made on the Prescribed Minimum Benefits (PMB) project, where the focus is on including the PMBs' preventative and primary healthcare services considerations. The analysis conducted by the costing committee centred on assessing the inclusive financial implications of the Primary Health Care (PHC) package and the framework for its affordable subsequent. The committee conducted its deliberations on these critical aspects. To ensure sustained attention to PHC services' cost, the PMB Benefits Advisory Committees' (BAC) mandate was reformed, initiating engagements with the BAC

has begun in terms of ongoing collaboration in this regard. Consistent discussions with the National Department of Health (NDoH) regarding developing the primary health care package are underway. The Minister was briefed on the process of these discussions in November 2023. Furthermore, the industry's continued involvement in PMB review committees underscores its dedication to continually refining healthcare policies and ensuring that primary healthcare remains a fundamental component of any health delivery.

LOW-COST BENEFIT OPTIONS (LCBO)

The LCBO report's inception and the subsequent finalisation of recommendations underscored in 2023, signify a collaborative endeavour involving diverse stakeholders. This process reached its culmination when it was formally presented to the Minister of Health in November 2023. Key participants encompassed a spectrum of entities, including the NDoH, the National Treasury's ruling bodies, administrative bodies, healthcare service providers, insurers, and consensus firms.

The LCBO report delved into pivotal issues regarding the imperative need for an LCBO within medical schemes and the role of products currently enjoying exemptions. Informed by meticulous technical and policy analyses, CMS recommendations were rationalised by overarching objectives, including providing robust financial risk protection for beneficiaries, mitigating disease burdens, and aligning with the issues delineated in the NHA. The CMS will execute the Minister's directives concerning the LCBO Framework once they are received.

RISK-BASED CAPITAL MODEL

The CMS simultaneously evaluated three Risk-Based Capital (RBC) models applicable to medical schemes. The CMS then evaluated the expertise of an actuarial firm to apprehend these models and glean their practical implications. The assessment uncovered significant discrepancies in capital requirements between the RBC model and the current solvency requirements. It was determined that the RBC model would not function in isolation but rather serve as one of several tools for early detection and mitigation of potential insolvencies. Therefore, the CMS will not be adopting this model at the industry level since it lacks legislative support. Instead, it will serve as a prudent intervention and an early warning indicator, complementing other risk management tools to assess the industry's sustainability and financial stability.

STANDARDISATION OF BENEFIT OPTIONS

Among the findings of the Health Market Inquiry Report (2019) is the ultimate beneficiaries have voted patently benefit option choices due to their high proliferation. A framework developed in 2018 accounts for the recommendation to standardise supplementary benefit packages for a more spartan choice environment. A panel of concept for evaluating proposals related to open enrolment objectives in a voluntary health insurance environment was also proposed. It was then used as a standardisation framework to assess health equity progress and the reduction of health inequality by conducting concentration index decompositions. The decompositions look into assessing the impact of willingness to pay and other health factors on benefit options and health outcomes.

The findings confirmed that health equity and health equality (inequality) improved between 2015 and 2022. This suggests that the government has not failed to change or the rights of beneficiaries in an open enrolment environment. The report is being prepared for wider dissemination.

QUALITY OF CARE IN MEDICAL SCHEMES

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

This report analysed disease management practices within the private healthcare sector in South Africa, focusing on utilising minimum standard of care tools and procedures among beneficiaries on-plans in Disease Management Programmes (DMPs). The study assessed industry-wide trends in coverage ratios across chronic conditions, identifying disparities in utilisation across benefit options and benchmarking performance against international standards. Coverage ratios were used as the measuring tool to assess compliance with minimum standard-of-care protocols.

Data from the Annual Statutory Return process for 2022/23 was collected from 71 medical schemes, comprising 286 benefit options and 9 million beneficiaries. Disease management indicators included: screening

and treatments for hypertension, diabetes type 2, HIV/AIDS, asthma, and chronic obstructive pulmonary disease (COPD). Trend analysis revealed significant growth in DMP enrolment for hypertension, diabetes type 2, HIV/AIDS, asthma, and COPD, with notable disparities across benefit options. Industry-level coverage ratios varied for essential screenings, some falling below recommended levels. In particular, diabetes type 2 and hypertension exhibited suboptimal coverage for critical tests, indicating gaps in disease management practices. Respiratory conditions showed mixed results, with flu vaccination rates declining post-pandemic and disparities in lung function testing.

The analysis of HIV/AIDS management using SANAC data highlighted robust access to antiretroviral therapy (ART) but revealed disparities in viral load suppression, particularly among male beneficiaries. Demographic analysis revealed gender-specific differences in HIV management, with females demonstrating higher utilisation of services compared to males.

The findings underscore the importance of comprehensive disease management strategies for optimising health outcomes and controlling costs. Disparities in coverage and adherence to standard-of-care protocols necessitate targeted interventions to improve disease management practices. The study aligns with existing literature on the importance of regular screenings and treatments for chronic diseases, highlighting the need for enhanced awareness, access, and care coordination.

A REVIEW STUDY ON GOVERNMENT-FUNDED MEDICAL SCHEMES AND MEDICAL SCHEMES WITH LESS THAN 6 000 MEMBERS

The CMS published a report on government-funded medical schemes, which reviews the performance of government-affiliated or state-associated medical schemes, including those accommodating fewer than 6 000 principal members. Drawing upon data from the CMS Industry Report and annexures, state employees' medical schemes was found to encompass 1.2 million principal members and 3.0 million beneficiaries in 2022, constituting approximately 33.3% of the medical scheme industry, and a noteworthy 72.?% of restricted schemes in terms of beneficiaries.

Within the cohort of the 11 state employees' medical schemes, four report membership figures below 6 000. The demographic characteristics of state-funded medical schemes are characterised by an average age ranging from 35.9 to 57.3 years. Additionally the dependant ratio ranged from 0.6 to 1.7, while the pensioner ratio ranged between 3.4% and 45.4%. The gross contribution income of these 11 medical schemes amounted to R70.1 billion, and the gross relevant healthcare expenditure, inclusive of PMSA and managed healthcare claims, registered a percentage range between 87.2% and 103.4%, with SAMWUMED surpassing the 100% threshold.

An analysis of the solvency ratio, a pivotal metric regulated by the Medical Schemes Act, indicates that 10 of the 11 schemes complied with Regulation 29, maintaining a solvency ratio above the mandated 25%. Notably, Sizwehosmed lagged with a solvency ratio of 17.1%. The reviewed medical schemes concluded the year with reserves of R36.8 billion as of December 2022. The schemes' gross administration expenditure (non-PMSA) amounted to R3.5 billion, with the LA-Health medical scheme incurring higher non-healthcare expenditures than other schemes. At the same time, ACM-related fees reached a collective sum of R9.1 million. Noteworthy expenditure practice differences were observed, with Medipos, SAMWUMED, and POLMED disproportionately allocating resources to ACMs relative to their membership. Medipos ACM expenditure was significantly higher than other reviewed schemes relative to their size.

Lastly, this study depicted varying remuneration practices among the schemes, with GEMS' average fees per trustee per annum significantly high compared to other schemes. A regulatory framework is essential for proactive and post consolidation oversight by the CMS, requiring the authority to guide consolidation efforts for mutual scheme members and healthcare system benefits. Strengthening governance structures within government-funded schemes, addressing stakeholder disparities, and promoting consistency aims to foster trust and accountability creating a more equitable and efficient organisational framework.

Transparent communication and educational campaigns targeting scheme stakeholders are pivotal for successful consolidation. This necessitates policy adjustments to grant the CMS the authority for effective interventions and align policies with the healthcare landscape for sustainable government-funded medical schemes.

4. TRANSFORMATION IN THE MEDICAL SCHEMES INDUSTRY

ENHANCING COMPETITION AND DIVERSITY IN THE SELECTION OF AUDIT FIRMS WITHIN THE MEDICAL SCHEME INDUSTRY

The CMS finalised several research studies that looked broadly at transformation in the medical schemes industry. One such study looked at medical schemes' contracting with external audit firms. This study analysed the prevalence of audit firm dominance within the South African medical schemes industry.

A comprehensive approach utilised expenditure data sourced from industry reports and credible data sets from industry professionals. The research study's findings revealed a significant dominance of two audit firms within the market, particularly Deloitte and PricewaterhouseCoopers (PwC). Given since understanding a notable concentration of power and influence within the auditing landscape of the South African medical scheme industry. This was further supported by the measure of market concentration, namely the Herfindahl Index, which was calculated to be 3 484, more significant than the cut off point of 2 500.

The study's findings highlight the importance of fostering increased competition, transparency, and diversity in selecting audit firms within the South African medical schemes industry. Promoting a more diverse array of audit firms can enhance accountability, mitigate conflicts of interest, and improve overall audit quality. The study contributes to the existing body of knowledge by highlighting the urgent need for a thorough review of contract management practices within the South African medical schemes industry. Such a review is imperative to ensure equitable opportunities for all audit firms and foster a more inclusive and robust auditing environment.

TRANSFORMATION REPORT

This report unpacks a metrics for showing medical schemes to participate in B-BBEE while protecting beneficiaries' interests (funds). The CMS proposes that special-purpose dispensaries be allowed in the medical schemes industry and that participating players be for-profit entities and identified B-BBEE partners. Medical schemes are not included in these commercial arrangements, as they may encumber members' funds. They may only use administrators and managed care supply chains to direct members to health service networks and CCMP arrangements.

REGULATORY FRAMEWORK PROJECT

A joint survey has been planned to gain insights into the regulatory framework project. The game theory framework of analysis was tested in the previous study to find a cases path between scheme behaviour (scheme strategy), member behaviour (member strategy), and pay-offs (win or lose ruling).

It is hypothesised that undesirable behaviour creates systemic reputational risk and market failure due to information asymmetry. The pilot survey will incorporate instrument questions, which will establish the nature of the cause of market failure (to isolate associations with specific health-seeking behaviour that results in CCP penalties due to scheme or beneficiary conduct). The responses will be used to construct a situational equation model linking behaviour to market failure.

RESEARCH PUBLICATIONS

The CMS published several research articles in peer-reviewed journals, which included the African Vision Eye Health Journal, and World Medical Journal. Some of the policy documents included:

- Annual General Meetings of Medical Schemes: Importance and Challenges Associated with Limited Member Participation
- Eye care services and benefits paid by medical schemes in South Africa;
- A Review of Entities Contracted by Medical Schemes for Auditing Services in South Africa; and
- Reimagining the Role of Optical Practitioners as Gatekeepers in South African Healthcare Models, Focusing on Medical Schemes.

The CMS also participated in stakeholder and user conferences and industry events.

5. ENFORCING AND ENCOURAGING COMPLIANCE FOR A HEALTHY INDUSTRY

ROUTINE INSPECTIONS

The Regulation, Compliance, and Investigations Unit conducted 10 routine inspections during the period under review. These inspections were proactive measures to assess the compliance status of medical schemes and identify any potential areas of concern. Through these routine inspections, the unit ensured ongoing compliance with regulatory requirements and provided early detection of any emerging issues. By conducting regular inspections, the unit maintained a proactive approach to compliance oversight, contributing to the overall integrity and stability of the medical scheme industry.

SCHEME MEETING ENGAGEMENTS

The unit observed 42 scheme meetings throughout the year, including annual general and special meetings. During these engagements, the unit provided insights into regulatory requirements, compliance expectations, and industry best practices. In addition to participation, the unit meticulously prepared meeting reports, noting attendance, duration, and important discussion points.

It was observed that most medical schemes prepared detailed AGM notice packs and their thorough presentations, which included the schemes' operations, financial statements, risks, and performance, were made to the members. This effort by schemes allowed CMS to make an informed analysis and identify potential compliance-related issues or areas for improvement.

The outcome of the analysis of the 2023 AGMs was provided to trustees and principal officers at the various Principal Officer (PO) forums held in Johannesburg and Cape Town. During these forums, the unit shared insights derived from the analysis, highlighting areas of compliance strength and areas warranting attention or improvement. By disseminating feedback at these forums, the unit promoted collaboration and shared accountability among scheme stakeholders, fostering a culture of continuous improvement and adherence to regulatory standards.

CURATORSHIP – MEDIPOS

The unit collaborated closely with Mr Justice Kubbinda, the Curator of Medipos Medical Scheme, appointed by the High Court on 14 February 2023 to oversee the scheme's management and operations. The Curator, supported by CMS, plays an important role in the scheme's administration and recovery efforts.

With the support of the SAPO Business Rescue Practitioners, one of the significant achievements by the Curator was the successful collection of contributions in full from July 2023 to date. This accomplishment demonstrates the effectiveness of the Curator's management strategy and the importance of collaborative efforts from all involved parties, including the unit. Through ongoing monitoring and support, the CMS ensured compliance with regulatory requirements during the curatorship process, contributing to the overall success of the scheme's recovery efforts. The collaboration between the CMS and the Curator exemplifies a coordinated approach to addressing challenges within the medical scheme industry, ultimately safeguarding the interests of Medipos members.

CURATORSHIP MONITORING – KEYHEALTH

Keyhealth Medical Scheme successfully submitted the necessary documents to the CMS for effective post-curatorship monitoring. The CMS conducted a thorough assessment and determined that Keyhealth has met the criteria for the upliftment of post-curatorship monitoring. Among the criteria met is the appointment of a non-board and Principal Officer, signifying a profound shift in leadership and governance within the scheme.

Additionally, Keyhealth improved its governance practices, reflecting a commitment to transparency, accountability, and compliance with regulatory requirements. In light of these positive developments, the CMS decided to uplift the post-curatorship monitoring process, effective March 2024. This decision reflected CMS' confidence in Keyhealth's ability to manage its affairs independently and in accordance with regulatory standards. Moving forward, Keyhealth will continue to be subject to ongoing monitoring by the CMS to ensure that it maintains compliance and upholds high governance standards. The upliftment of post-curatorship monitoring marks a significant milestone for Keyhealth, which serves as a testament to stability and sustainability for the scheme and its members.

ENFORCEMENT ACTIONS

Various enforcement actions were undertaken during the period under review to uphold regulatory standards and protect the interests of medical scheme members. These included the implementation of whistleblower programmes aimed at encouraging individuals to report instances of misconduct, fraud, or non-compliance within the medical schemes industry.

Additionally, enforcement actions were undertaken through Section 47 enquiries, focusing on medical schemes with high non-healthcare costs calculated with annual gross receipts. Six Section 47 enquiries were initiated in March 2024 to investigate the reasons behind the high non-healthcare costs and ensure compliance with regulatory requirements. The enquiries are ongoing and will be finalised in the next financial year.

CISNA

The CMS actively engaged with the Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA), of which it is a member, to promote collaboration and knowledge-sharing within the Southern African Development Community (SADC) region.

The CMS submitted two comprehensive reports to CISNA, highlighting outcomes of the medical schemes industry and outlining consumer initiatives undertaken by the CMS to enhance consumer protection and welfare. These reports provided valuable insights into the state of the medical schemes industry, trends, challenges, and regulatory initiatives aimed at promoting a sustainable and inclusive healthcare system.

In addition to submitting reports, the CMS participated in the 2023 CISNA conference, which was held in Namibia in October 2023. This conference served as a platform for regulatory authorities from across the SADC region to exchange ideas, share best practices, and discuss emerging issues in the insurance and non-banking financial sectors.

Through its active participation in CISNA activities and conferences like CMS demonstrated its commitment to regional cooperation and collaboration in addressing common challenges and promoting regulatory standards to ensure the stability and integrity of the healthcare financing sector within the SADC region.

BROKER ACCREDITATION

Table 85: Individual brokers and broker organisations accredited: (New and Renewal)

Total number of broker and broker organisation applications received	5 386
Total number of broker and broker organisation applications accredited within 30 working days of receipt of complete information	4 761
Percentage of broker and broker organisation applications accredited within 30 working days of receipt of complete information	88.38%
Total number of accredited brokers and broker organisations as at 31 March 2024	9 911

VERIFICATION OF ACADEMIC QUALIFICATIONS

The sub-programme continued to verify academic qualifications of individuals applying to be accredited as brokers. The qualifications of 885 individuals were verified independently during the period under review.

ADJUSTMENTS OF BROKER FEES

The Minister of Health announced an increase in the maximum amount payable to brokers by medical schemes with respect to broker clients who are members of medical schemes, in terms of Section 65 of the Medical Schemes Act. The amount was increased to R116.74 per member per month, with effect from 1 January 2024. A circular in this regard was published on the CMS website.

6. ACCREDITATION OF MEDICAL SCHEME ADMINISTRATORS & SELF-ADMINISTERED SCHEMES

Administrators and self-administered schemes' accreditation and compliance certificate application evaluations completed during 2023/24:

Table 24: Accreditation of medical scheme administrators and self-administered schemes

ADMINISTRATORS AND SELF-ADMINISTERED SCHEMES APPLICATION EVALUATIONS COMPLETED				
	NEW APPLICATIONS	RENEWALS	ON-SITE EVALUATIONS COMPLETED	CONDITIONS COMPLIANCE ON-SITE EVALUATIONS
Administrators	1ERGH EMS (Pty) Ltd	Discovery Health (Pty) Ltd	ERGH EMS (Pty) Ltd*	None
	*Netcare Jet Air Ambulance (Pty) Ltd	Netcare Holdings (Pty) Ltd	Professional Provider Negotiators (Pty) Ltd*	
	Private Health Administrators (Pty) Ltd*	Metropolitan Health Corporate (Pty) Ltd		
		Momentum Thebe Ya Bophelo (Pty) Ltd		
		Professional Provident Society Healthcare Administrators (Pty) Ltd		
Self-Administered Schemes	None	Metabolic Medical Scheme		

* Limited Administrator Accreditation
Two application in terms of Regulation 2(d) due to change in control of the administrator
* These administrators have been evaluated but have other evaluation findings reports are to be finalised in the 2024/25 financial year

THIRD PARTY ADMINISTRATORS AND SELF-ADMINISTERED SCHEMES

Figure 2: Third Party Administrators and Self-administered Schemes

Managed Care Organisations and medical schemes providing own managed care services' accreditation compliance certificate application evaluations completed during 2023/24

Table 37: Managed care organisations and medical schemes application evaluations completed

MANAGED CARE ORGANISATIONS AND MEDICAL SCHEMES APPLICATION EVALUATIONS COMPLETED				
	NEW APPLICATIONS	RENEWALS	ON-SITE EVALUATIONS COMPLETED	CONDITIONS EXEMPT FROM ON-SITE EVALUATIONS
Managed Care Organisations	Life HCO (Pty) Ltd	3Sixty Health (Pty) Ltd	Centre for Diabetes & Endocrinology (Pty) Ltd	None
		Aligned (Pty) Ltd	Universal Care (Pty) Ltd	
		Centre for Diabetes & Endocrinology (Pty) Ltd		
		Dental Information Systems (Pty) Ltd		
		Dental Risk Company (Pty) Ltd		
		Enablemed (Pty) Ltd		
		HoloCare (Pty) Ltd		
		Knowledge Objects (Pty) Ltd		
		Rodostome Holdings (Pty) Ltd		
		Metropolitan Health Corporate (Pty) Ltd		
		Oncology Healthcare Management Company (Pty) Ltd		
		Optimal Managed Care (Pty) Ltd		
		Private Health Administrators (Pty) Ltd		
		Supplementary Health Services (Pty) Ltd		
		Universal Care (Pty) Ltd		
Medical schemes providing own managed care services	Afrocentric Medical Scheme	None	None	None

[1] Accreditation was not granted as the organisation does not provide managed care services as specified in the Regulations.

[2] The on-site evaluation has been conducted, but the on-site evaluation findings report is not finalised in the 2023/24 financial year.

Figure 3: Managed Care Organisations and medical schemes providing own managed care services

7. COURT RULINGS

THE CMS VS MEDIPOS

The CMS successfully applied for the appointment of a Curator for the MediPos medical scheme. The scheme had been experiencing challenges collecting contributions from the South African Post Office (SAPO) as far back as April 2020. CMS has further successfully applied for the July 2021 to extend the appointment of the Curator for MediPos. The provisional Curator has since investigated MediPos' financial position and advised members on viable solutions, including the future of the scheme, namely a merger, liquidation, or curatorship evaluation, and the terms thereof. This was aimed at fulfilling the responsibility of the CMS not only to protect medical schemes from exposure in health emergencies but to ensure that even in the state of failure, the interests of members are protected.

THE CMS VS BP MEDICAL SCHEME

It was brought to the attention of CMS that rule 13 was inserted into the scheme's rules following a 2009 agreement. The CMS approved this rule on the understanding that the trade union trustee was elected from among members of the respondent, which would mean that four of the seven trustees, as contemplated in the rule, would be elected from the members, which would follow the provisions of Section 57(2) of the MSA. However, as it would become clear later, this was not what happened in practice, as a trustee contemplated in sub-rule 13.1.3 was actually nominated by the trade union and not elected by the members.

The CMS brought the matter before the High Court, and on 27 November 2020, the judge ordered an investigation into the scheme's affairs. The investigator has finalised the report and submitted it to the court for implementation.

THE CMS VS OPTIVEST

Optivest contended that Section 59(1)(c) did not provide concurrent jurisdiction between the CMS and the FSCA. According to it, the CMS had fundamentally misconstrued its powers under the MSA and the FSRA. Accordingly, the CMS' decision to appoint CMWRS to undertake an investigation on its behalf into Optivest's affairs was to be reviewed and set aside under the Promotion of Administrative Justice Act, 2000 (PAJA), alternatively under the principle of legality. The court dismissed Optivest's application with costs. Optivest appealed this decision to the Supreme Court of Appeal (SCA), and the SCA upheld the judgement given by the High Court. This reaffirmed the CMS' mandate that even with entities that are not fully regulated or where there is co-regulation with other regulators under FSRA and COF, the CMS still retains the mandate to investigate such entities. Optivest has now applied for leave to appeal the SCA ruling at the Constitutional Court.

8. DEMARCATION **REGULATIONS UPDATE**

The Council for Medical Schemes (CMS) has extended the exemption period for insurers conducting medical scheme business. As per Circular 16 of 2024, the new period extends from 1 April 2024 to 31 March 2025.

The process to amend the Demarcation Renewal Framework began in November 2023, following the CMS' submission of the Low-Cost Benefit Options (LCBO) report and recommendations to the Minister of Health. This process involved integrating feedback from various regulatory stakeholders, such as the National Department of Health (NDOH), medical schemes, insurers, providers, and industry associations, to ensure a comprehensive and inclusive view of the exemption.

To finalise the framework, CMS management presented it to the Council for approval, paving the way for its release to the industry. Circular 16 of 2024 provides detailed information regarding the exemption extension, outlining the timeframe, exemption process, and associated application handling fees.

9. CUSTOMER CARE **CENTRE TRENDS**

The Customer Care Service Centre serves as the frontline support hub, executing important tasks such as reception, switchboard operations, walk-in consultations, complaint enquiries, and broker services.

The centre's performance in the 2023/24 financial year reflects its unwavering commitment to customer satisfaction and service excellence, with over 25 000 customer connections orchestrated. These included 22 497 calls, 2 395 emails, and 97 walk-ins.

The centre's service demand is also closely linked to CMS regulatory actions. For instance, it experienced a surge in queries during the Curtonships of Health Squared and Med Pros medical schemes. Similarly, the centre fielded 7 342 misdirected calls from members looking for their respective medical schemes.

The unit also supports the business by resolving queries that could potentially lead to formal complaints. Close to a third of these (31%) relate to the interpretation of various sections of the MSA, such as the underwriting of waiting periods, Late Joiner Penalties (LJPs), and PMBs.

The centre also offers guidance and support to brokers and brokerages needing help navigating the Broker Accreditation self-help online system.

10. EDUCATION **AND TRAINING**

The heart of the Education and Training unit is educating and empowering consumers about their rights, responsibilities, and obligations as medical scheme members.

This task also includes creating awareness about the CMS, its mandate, and its service to medical scheme members. In the financial year, the unit conducted 72 consumer education and empowerment sessions, both virtually and in person. These sessions included continuing professional development (CPD) programmes for accredited healthcare brokers, induction programmes for newly appointed board of trustees members, and tailor-made scheme-specific training.

Education and Training also introduced segmented training for closed and open schemes to enhance knowledge and skills among their boards of trustees. The training creates an in-depth understanding of governance and compliance with the MSA and its regulations.

The unit also offers a premium training opportunity tailored for seasoned trustees and medical scheme professionals who are committed to elevating their leadership competence at NQF-level 6 in collaboration with GIBS. The Trustee Development Programme is an engaging and interactive programme that comprises enlightening workshops, real-life case studies, and insightful presentations by industry experts and renowned leaders. Delegates sharpen their strategic thinking, refine their communication skills, and master conflict-resolution strategies, ultimately becoming confident and impactful in the medical scheme industry.

27 delegates from various medical schemes attended and were awarded certificates of completion.

The success of the unit's activities is tied to its collaboration with industry groupings and stakeholders such as the National Consumer Union (NCU), Consumer Protection Forum (CPF), South African National Consumer Union (SANCU), National Consumer Financial Education Committee (NCFEC), Financial Planning Institute (FPI), and the Financial Sector Conduct Authority (FSCA).

11. STAKEHOLDER **ENGAGEMENT**

The CMS experienced a significant increase in visibility and engagement, reflecting our strategic commitment to enhancing awareness and fostering collaboration with stakeholders. There was a notable surge in mentions of CMS in media related to health and private healthcare, underscoring our growing influence and reach.

Our proactive approach to communicating vital information and responding to media queries has solidified our position as a trusted source in the healthcare sector.

Driven by insights from our analytics, we directed targeted communication efforts towards medical scheme members through email marketing campaigns focusing on prescribed minimum benefits. Internally, we published four editions of our internal newsletter to keep our staff informed and engaged.

Our campaigns celebrating Youth and Women's Month were particularly impactful, receiving positive feedback and showcasing the vibrant diversity within CMS.

A noteworthy highlight was the member survey conducted during this period, which saw participation increase from 10 000 to 60 000 respondents. Despite many participants being previously unaware of CMS, this initiative underscored the need for greater awareness and engagement at the medical scheme level.

Our digital marketing efforts have also shown exceptional growth, amassing close to 200 000 views across all platforms without any paid advertising. This organic growth highlights the effectiveness of our content and engagement strategies.

12. ADJUDICATION OF COMPLAINTS

PROTECTING THE INTERESTS OF MEDICAL SCHEME BENEFICIARIES

As a subunit of the CMS Member Protection division, the Complaints Adjudication protects the interests of medical scheme beneficiaries by investigating and resolving complaints lodged against regulated entities, as provided for in the Medical Schemes Act. This sub-unit also offers to thousands of email enquiries submitted by medical scheme beneficiaries who seek advice and guidance on navigating the medical schemes environment.

Through various activities, the team ensures that the rights and benefit entitlements envisaged in the Medical Schemes Act and registered scheme rules are duly accorded to beneficiaries.

ASSESSMENT OF EMAIL ENQUIRIES

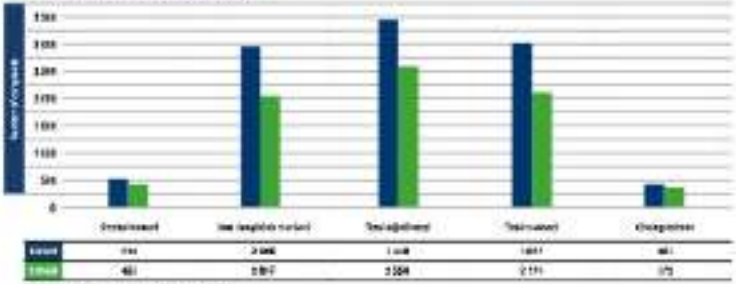
During the year under review, 19 048 email enquiries were received, assessed, and responded to. Our rigorous pre-registration process enables the team to eliminate potential complaints by addressing elementary enquiries without the need to refer them to regulated entities, where appropriate.

These emails were dealt with in the following manner:

- Valid complaints were assessed and registered.
- Where the CMS lacked authority, complainants were provided with contact details of the appropriate statutory bodies for further assistance.
- Complaints that were prematurely referred to the CMS were referred to medical schemes for direct resolution.
- Where complaints lacked the relevant supporting documents, complainants were advised to do late and resubmit for reconsideration; and
- Other queries were addressed by providing complainants with written advice and guidance on how to assert their rights, fulfil their obligations, avoid co-payments, and access the full benefits offered by their respective medical schemes.

COMPLAINT VOLUMES

The overall volume of complaints received and resolved during the 2023/24 financial year had declined when compared to the previous financial year.



[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	483	1 [illegible]	1 334	1 211	975

Figure 7: Complaints received and resolved

LOGGED COMPLAINTS: MEDICAL SCHEMES AND OTHER REGULATED ENTITIES

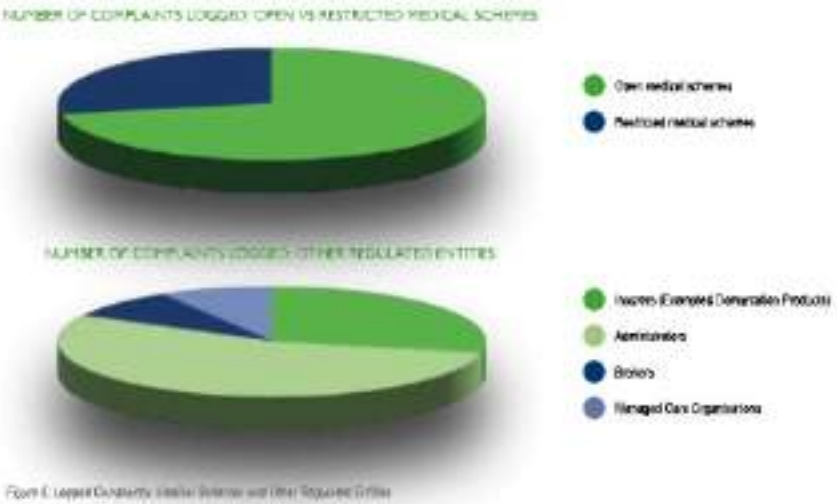


Figure 6: Logged Complaints: Medical Schemes and other Regulated Entities

NUMBER OF COMPLAINTS RECEIVED AND INVESTIGATED

The overall number of complaints investigated in 2023/24 was 2 550, which included 463 complaints carried over from the 2022/23 financial year and 2 087 newly registered complaints.

Carried forward (from 2022/23)	463	2 550
New registered complaints	2 087	

FINALISED COMPLAINTS

During the year under review, 2 178 complaints were resolved, and this number includes 1 729 Category 1 and 2 complaints as well as 449 non-justiciable complaints.

Resolved complaints are classified as non-justiciable*, Category 1**, and Category 2*** (explanations below).

NON-JUSTICIABLE COMPLAINTS

Table 38: Non-justiciable complaints

NON-JUSTICIABLE COMPLAINTS: GENERAL REASONS	ACTUAL	%
Closed due to failure to submit outstanding supporting documents or evidence	284	63.25%
Duplicates** (online complaints)	73	16.26%
Lack of merit	89	20.04%
Non-formal referral to entities	4	0.90%
Total non-justiciable complaints	449	100%

The 449 non-justiciable complaints were all resolved within 30 calendar days. The majority of these complaints were processed on the online portal, through which complainants could submit their complaints on the CMS website.

Although the portal enabled complainants to submit and track their complaints, the CMS resolved a high number of complaints that were submitted without adequate or correct supporting evidence. In most instances, complainants failed to upload the correct supporting documentation, whereas others were continuously

duplicating complaints by submitting the same complaint through multiple channels. This led to the dismissal of more than 350 complaints due to these reasons.

CATEGORY 1 COMPLAINTS

There were 1 720 complaints that were subjected to formal investigations and resolved. Of the 1 720,* 1 557 complaints were resolved within 60 calendar days. Additionally, 448 complaints were resolved within 61 to 120 calendar days. Overall, 93.5% of investigated complaints were resolved within 120 calendar days.

Resolution timeframes	< 60 days	61 – 120 days	> 120
Total complaints resolved	543	39	9
Percentage resolved	69.95%	3.64%	1.01%

CATEGORY 2 COMPLAINTS****

Resolution timeframes	< 90 days	91 – 120 days	> 120
Total complaints resolved	308	413	118
Percentage resolved	28.21%	55.36%	16.80%

Resolution timeframes	> 120
Total complaints aged beyond 120 days	132
Total complaints resolved	124
Total still open (on 31 March 2024)	8
Percentage resolved	93.94%

A small number of complaints lodged beyond 120 calendar days due to complexity and delays by parties to submit the required information. Through continued implementation of the backlog reduction strategy, the CMS managed to resolve 93.94% of the complaints that had aged beyond the turnaround time. At the close of the financial year, only eight complaints were still open beyond 120 calendar days.

* Non-Justiciable complaints: Complaints which do not meet the definition requirements of a complaint as set out in Section 1 of the Medical Schemes Act. Also included in the classification of non-justiciable complaints are complaints where there is insufficient or no supporting evidence, as well as duplicate complaints.

**Category 1 complaints are uncomplicated but may require secondary referral for inputs within CMS or externally (i.e. referral for clinical opinion).

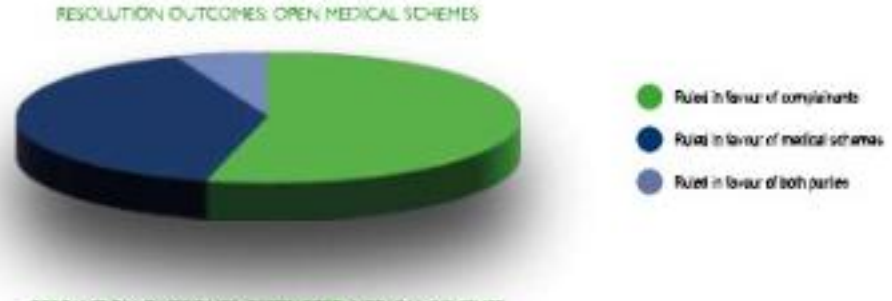
***Category 2 complaints are clinically and/or legally complex, requiring extensive investigation, collation of evidence as well as secondary referral for inputs within CMS and externally.

COMPLAINT OUTCOMES: MEDICAL SCHEMES AND OTHER REGULATED ENTITIES

The total number of justiciable complaints resolved is made up of 1 701 complaints lodged against medical schemes and 28 complaints lodged against other regulated entities such as administrators, managed care organisations, and insurers.

Medical scheme complaints were made up of 1 208 complaints against open medical schemes and 493 complaints lodged against restricted (closed) medical schemes.

The resolution outcomes for medical schemes and other regulated entities are illustrated below:



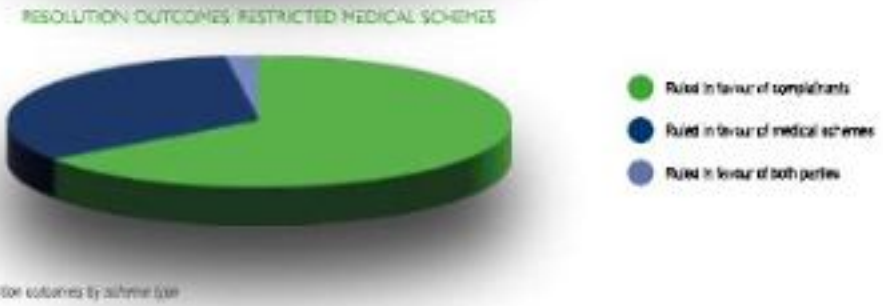
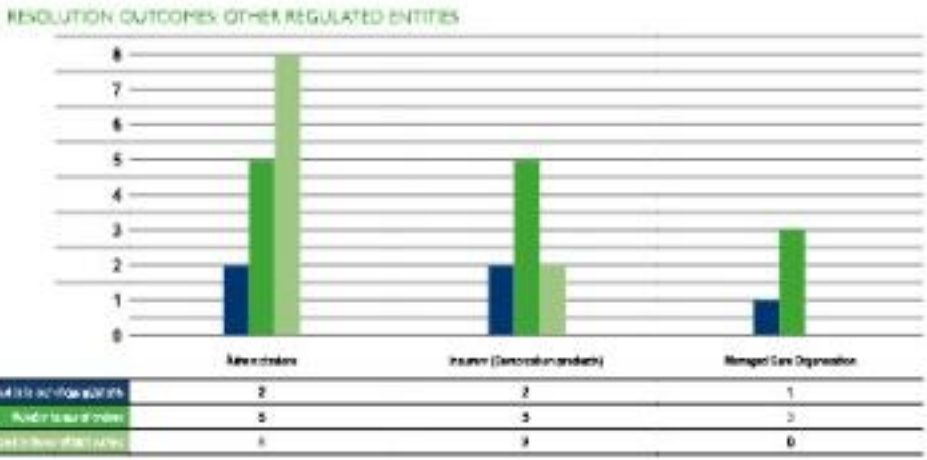


Figure 6: Resolution outcomes by scheme type



Ruled in favour of complainants	2	2	1
Ruled in favour of others	5	5	3
Ruled in favour of both parties	1	3	0

Figure 7: Resolution outcomes - Regulated entities

NUMBER OF RESOLVED COMPLAINTS BY COMPLAINT TYPE.

The CMS continued to see a higher volume of administrative types of complaints, as has been the case over the years. 1 043 complaints were resolved in the administrative class of complaints. These complaints mainly comprise disputes over the payment of non-statutory benefits for reasons such as benefit exclusions, depletion of benefits, contribution increases, and the imposition of waiting periods.

Additionally, the CMS resolved 841 complaints concerning the non-payment and short-payment of Prescribed Minimum Benefits (PMB). The root causes of PMB funding disputes include disputes over the interpretation of PMB levels of care, real or perceived undue reliance in the application of treatment protocols and formularies as well as short payments related to the use of non-designated service providers.

Interpretation of the Act and PMB entitlements continue to drive PMB-related complaints. The Complaints Adjudication sub-unit works very closely with the Clinical Advisory Services sub-programme to provide guidance on the interpretation of PMB definitions and entitlements that are stipulated in the Diagnosis and Treatment Pairs (DTPs) as well as the Chronic Disease List (CDL).

Table 08: Number of complaints considered by type

COMPLAINT TYPE	NUMBER OF COMPLAINTS RESOLVED
Administrative	1043
Nature of complaint	
Benefit Option changes	24
Contributions	31
General customer service	715
Medical Savings Account	6
Payment of benefits	661
Pre-authorisation	171
Legal / Compliance	133
Nature of complaint	
Broker conduct	4
Late joiner penalties	16
Membership Suspension / Termination	92
Rejection of member's application / Applicant not eligible	6
Waiting periods	10
Demographic	7
Nature of complaint	
Incorrect information	5
Unsatisfactory	2
Clinical / Technical	841
Nature of complaint	
Non-payment***	370
Short payment****	271
Total justifiable complaints	1 720
Non-justifiable complaints	449
Overall complaints resolved (Justifiable and non-justifiable)	2 170

***Sub-categories under the non-payment group include disputes over PMB level of care, application of treatment protocols, treatment not covered / scheme exclusions, use of non-formulary drugs, ineffective treatments, application of Regulation 15H and I.

****Sub-categories under short payment group include disputes over voluntary or involuntary use of non-Designated Service Providers, non-PMB level of care, application of co-payments (Regulation 8(2))

NOTABLE COMPLAINT TRENDS

In the period under review, similar complaint trends were noted. In addition to PMB and non-PMB funding disputes, we saw the re-emergence of complaints related to alleged fraud, waste and abuse (FWA).

FAILURE TO IMPLEMENT INTERNAL DISPUTE RESOLUTION PROCESSES

The CMS noted a concerning increase in complaints where medical schemes fail to timely address member queries until such queries are escalated to the CMS as complaints. In other instances, the CMS saw a growing trend where members were not informed of internal dispute resolution and appeal processes. It is important to note that the Act and the regulations obligate medical schemes to put in place query escalation processes where members's funding and benefit queries can be timely addressed. It is therefore concerning to see instances where members' complaints only receive attention once a CMS complaint is lodged.

FRAUD, WASTE AND ABUSE COMPLAINTS

Following a short respite after the release of the interim report by the Section 59 Inquiry Panel, we saw a resurgence of complaints against medical schemes and administrators who were allowing funds to be looted allegedly executed by healthcare professionals due to fraud, waste and abuse. These complaints are often the result of costing misrepresentations disputes, scope of practice disagreements, and allegations of overcharging and claiming for services not rendered. Healthcare providers criticise the lack of fairness in the claims audit conducted by medical schemes as well as the methodology applied in quantifying the extent of the alleged losses. On the other hand, medical schemes argue that members's funds are being depleted by the unscrupulous use of FWA. The CMS continues to adjudicate these matters while also awaiting the release of the final Section 59 Inquiry report.

NON-PAYMENT AND SHORT-PAYMENT OF CLAIMS

Disputes regarding non-payment schemes, the CMS remains concerned by instances of payment disputes where beneficiaries incur out-of-pocket payments due to non-payment and/or short payment of claims. In some instances, beneficiaries were unduly denied benefits to which they were entitled, and the CMS correctly ruled in favour of the complainants. However, there were a substantial number of complaints where medical schemes had correctly applied the Act and the rules. In these cases, rulings were issued against complainants, and it became apparent that their understanding of applicable benefit rules and limits is still lacking. It is important that beneficiaries familiarise themselves with the level of coverage purchased and even so that the chosen benefit option matches their healthcare needs.

The CMS appreciates the complexities associated with medical scheme benefit design and applicable terms and conditions. Beneficiaries are encouraged to read and understand the rules governing their chosen benefit options, and where they encounter difficulties, they must contact their respective medical schemes before incurring unplanned costs. Similarly, medical schemes must also ensure that benefit options are simplified and communicated in clear and understandable language. Communication channels must also be kept open and accessible to beneficiaries.

INCORRECT LIMITS ON PMB FUNDING

Despite issuing numerous rulings against offending medical schemes, the CMS continued to see complaints where medical schemes incorrectly apply monetary caps and benefit limits to PMB funding for post-amputation prosthetic limbs. The CMS provides clarification in its issued rulings on the correct interpretation of Explanatory Note 2 to the Regulations, which medical schemes were using to limit funding based on what they perceived to be the cost of public sector facilities. The incorrect use of Explanatory Note 2 is being monitored, and it is expected that offending medical schemes will rectify this conduct. Rulings in this regard were also published on the CMS website to assist beneficiaries in understanding their rights and benefit entitlements.

THE NEED FOR EDUCATION IN UNDERSTANDING MANAGED HEALTHCARE CONCEPTS

The CMS also noted a gap in beneficiaries' understanding of commonly used concepts in the medical scheme industry. Terms such as pre-authorisation, treatment protocols, formularies, and scheme tariffs seem to confuse beneficiaries, and it is recommended that medical schemes and brokers dedicate time and effort to explain these terms in simple, understandable language. The CMS also contributes by doing its part in educating beneficiaries through its consumer and training outreach programmes.

13. CLINICAL **CONSULTING SERVICES**

In our pursuit of efficiency, member satisfaction and addressing areas of concern, the Clinical Unit meticulously analysed feedback and identified recurring issues faced by medical members regarding their benefit entitlements. Due to the changes in organisational structure, the PMB Benefit Distributors and the PMB Review project were fundamental to the Policy realignment and Monitoring Unit. The unit determined ten critical topics that warranted attention and clarification and developed informative, evidence-based articles aimed at explaining these topics, thereby empowering our members with a comprehensive understanding of their benefit entitlements.

- The Clinical Unit delivered the following 10 CMBenefits for the year 2023/24: Termination of Pregnancy, Children, Infertility, Infertility Awareness Month, Lung, Ovarian Cyst, Juvenile Arthritis, Male Breast Cancer, Vertical Transmission Prevention (VTP), and New Developments & Management, Total Ocular Cancer, Rotavirus Vaccine, and Endometriosis.
- Clinical Opinions

  A total of 611 clinical opinions were received, with 490 successfully completed in the 2023/24 financial year. The variance is attributed to clinical complaints carried over to the subsequent financial year. The management of urgent cases was prioritised, and it excluded urgent oncology cases, medical emergencies, and the manufacturer, e.g., children and the elderly.

- Clinical Enquiries

  Throughout the financial year 2023/24, the Clinical Consulting Services received 681 e-mail enquiries through email and telephone channels.

This unit has been instrumental in shaping healthcare policy and practices by actively participating in various key initiatives. Particularly noteworthy is its significant contribution to the Benefit Definition Guidelines and the PMB Review process, where it provided essential clinical insights in collaboration with the Policy and Research Monitoring Unit. This was accomplished through its integral involvement in the Primary Prevention Costing project.

Moreover, the unit has played a crucial role in supporting training and education endeavours by conducting informative training sessions on prescribed minimum benefits and clinical governance for a wide range of stakeholders. This included radio interviews educating members on understanding PMB mental health benefits, the reasons why co-payments are applied, and the importance of and alternatives and remedies to designated service providers (DSP) in relation to co-payments.

Furthermore, the unit continues to maintain active engagement with the National essential Medicine List Committee (NEMLC), a pivotal body responsible for establishing access to standard treatment guidelines and essential medications across various tiers of healthcare facilities. This ongoing participation ensures that member entitlements are in line with the directives outlined by the National Department of Health, thus bolstering consistency and high-quality healthcare delivery on a national scale, which talks to the minimum benefits that schemes should at least provide. The Clinical Unit also participates in another important forum, "*The Forum to oversee transparency and multi-stakeholder engagement regarding medicine sustainability*".

Council for Medical Schemes
Private Bag X34
Hatfield 0028

Tel: +27 86 112 3267
Fax 0862 069 260

E-mail: information@medicalschemes.co.za