medihelp
medical scheme

annual report
2011

Contents

Message by the Chairman of the Board of Trustees

2011 has once again proved to be a successful year for Medihelp, given the complex environment in which medical schemes operate and the many challenges faced by the industry as a whole. Medihelp succeeded in maintaining product stability, and financial results for 2011 indicated sound financial performance with the realisation of a net surplus of R163.9 million, translating to a solvency level of 29.25%.

The process of disposing of the Scheme's administrative component gained new momentum in 2011. The Board has informed the Council for Medical Schemes of the planned transaction and provided their office with all the necessary documentation to facilitate the process. In view of current industry trends with the amalgamation of schemes, administration opportunities, and administrators who are able to attract and retain members with related insurance products, it is imperative that the separation between the Scheme and its administrative component be realised to enable Medihelp to broaden its offering to the market. One of the key focus areas during 2012 will remain product stability through cost and risk management.

Regrettably, Medihelp had to bid a group of state pensioners who retired prior to 1 July 1992 farewell on 1 April 2012. A decision was made by the National Treasury to move this group of members to the Government Employees Medical Scheme (GEMS). These members belonged to the Medihelp Plus benefit option for most of their adult life. I wish to thank them for their many years of loyal support and wish them everything of the very best for the future. We can assure members that the migration will not negatively affect the performance of Medihelp's current growth options or its financial stability.

I want to thank my fellow members of Medihelp's Board of Trustees for their continuous support and commitment to fulfil their role in representing our members. Medihelp's ideals will not become a reality if not for the continued efforts of the Chief Executive Officer & CEO, his executive committee and management and employees. Their shared vision and commitment to Medihelp's strategic intent continues to drive the Scheme's success.

Lastly, my sincerest gratitude goes to our heavenly Father for his blessings and the many gifts He bestows on us in the fulfilment of our daily tasks and in serving our members and partners.

Pieter Vosloo
Chairman: Medihelp Board of Trustees

Fact sheet

(As at 31 December 2011)

Number of members of Medihelp	120,992
Total lives covered	242,203
Average age of beneficiaries	40.11 years
Net surplus for 2011	R163,915,576
Solvency level	29.25%
Accumulated funds	R1,337,309,657
The average claims turnaround time	5.43 days
Number of claims processed	3,633,926
Number of calls to client contact centres	1,094,114
Number of written enquiries received	369,580
Global Credit Rating	AA–

Message, overview of 2011 and prospects for 2012 by the Principal Officer & CEO

I am privileged to report that Medihelp performed well during the past year. This success can be attributed to the holistic view the Scheme adopted regarding its product and pricing strategy, as well as its customer centricity and association with dependable partners. The continued affordability and sustainability of Medihelp's products can only be achieved through partnering with our brokers who advise potential members with suitable product choices, suppliers of healthcare services who assist in containing cost through offering appropriate, quality care at negotiated tariffs, and Medihelp members who contribute to the future health of the Scheme through their consistent support and responsible use of benefits.

Our primary aim remains to maintain the balance between cover, quality of care and cost. We can look back on a year during which our members experienced consistency in our products at a cost that compares well with that of the industry. In 2012 we will focus on further enhancing the contents of the offering to members.

Medihelp's positive financial results can be attributed to, amongst others, risk management programmes, managed healthcare interventions and the appropriate utilisation of benefits by members. As a result, Medihelp's solvency ratio of a sound 29.25%, expressed as a percentage of subscription income, was 1.85% better than that of 2010.

Because our service delivery and the satisfaction of our customers are considered of the utmost importance, Medihelp once again conducted a Customer Satisfaction Measurement to compare our organisation with the industry. With regard to members, Medihelp was measured against six competitors in the service quality, relationship quality and product quality categories. Medihelp was rated in 1st place in all of these categories as well as 1st place for "overall satisfaction". The feedback obtained through this survey will be incorporated in the Customer Experience Management (CEM) process that was initiated in 2011 to be a strategic thrust in all areas of the business in enhancing the Scheme's ability to deliver an even more personalised experience to our stakeholder groups and building brand advocacy.

In considering current industry trends, one of the most prevalent issues for Medihelp remains its ability to compete with other administrators, in which regard we remain confident that the Board's efforts to secure the transaction to dispose of our administration will be successful in 2012.

The proposed implementation of National Health Insurance (NHI) is another industry initiative that Medihelp is monitoring. The Minister of Finance announced during his February 2012 budget speech that he had allocated R1 billion to launch NHI pilot projects

in ten districts to ensure that vital health services were rendered to the most impoverished communities. It still remains unclear exactly how the NHI-system will function once fully established and what the specific roles of medical schemes and medical scheme administrators will be. We will endeavour to position Medihelp in such a way that the Scheme will also be able to participate in the opportunities this initiative offers.

In 2012 we will continue to explore all avenues that will contribute to the continued sustainability of Medihelp and value experienced by our members, such as partnerships to contain costs, networks and limiting out-of-pocket expenses for members.

Continued focus on growth in membership and member retention

Through our broker network, Medihelp managed to enrol 20,865 new families in 2011 – a considerable number in the prevailing economic climate – building on the positive results achieved during the past three years. The average age of these new members was 38.1 years, which is younger than the current average age of the Medihelp population and indicative of the Scheme attracting its intended target market. Medihelp's sales channel also played an important role in achieving growth in the desired risk population.

Our vision for 2012 is to continue developing innovative means to encourage growth through enhanced product and service offerings and to achieve higher retention of our existing members through the consistency and competitiveness of our offering.

Product development and managing benefits

During 2011 Medihelp directed the focus towards the long-term sustainability of our product range and embarked on introducing networks to manage costs and utilisation. For 2012, an additional income category was added to the Necesse benefit option to support the intention of this option and contribute to its long-term sustainability, since it is income-based.

Necesse now 100% Medihelp-administered

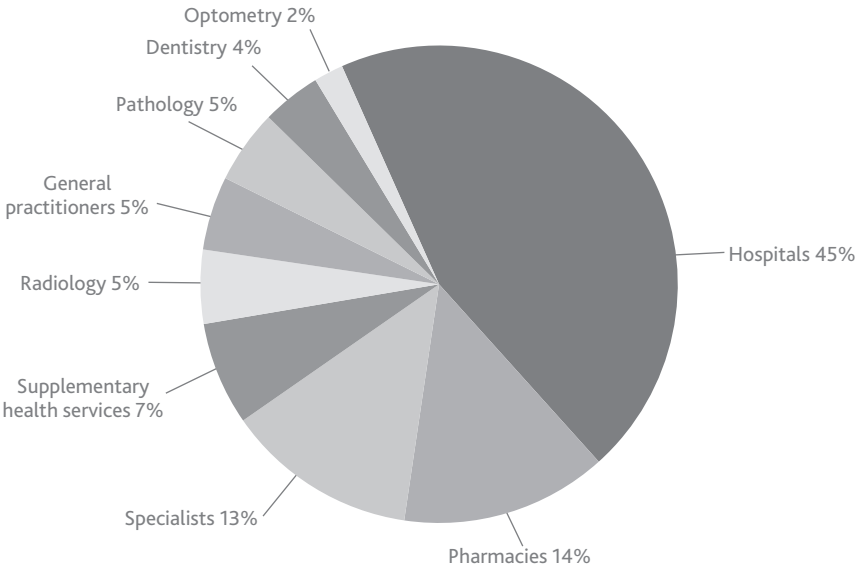
Medihelp introduced its own network for primary healthcare services for the Necesse network benefit option in 2011 in partnership with the IPA Foundation of South Africa. At 31 December 2011, 1,575 general practitioners were contracted to render cost-effective, quality primary healthcare services to Necesse members across the country. All indications are that the Necesse network benefit option will be performing well in 2012.

Benefit expenditure per discipline

Medihelp employs a wide spectrum of managed care interventions on every benefit option to ensure appropriate and economic utilisation of benefits. These include continuous analysis and monitoring of trends which may have an impact on affordability, appropriateness and outcome.

The following table illustrates the benefit amounts spent by Medihelp on specific healthcare disciplines expressed as a percentage:

Distribution of total benefit expenditure across healthcare disciplines – 2011



Source: Medihelp Health Economics

Hospital benefit management

Hospitalisation constitutes the highest cost in terms of total benefit expenditure and this risk requires management of the hospitalised patient with regard to all variables which impact on the account rendered. In order to manage the risk of the hospital event, all admissions are pre-registered. The pre-registration process, currently handled by Medical Services Organisation (MSO), is based on clinical protocols and criteria which give an estimate of the expected length of stay and level of care of the specific incident. Medihelp's hospital benefit management division manages the entire hospitalisation process – from the moment the hospital admission is registered for case management until the account is finalised and settled between the Scheme and the hospital.

Contractual agreements are in place with hospital groups whereby they are required to update all hospital cases of which the length of stay and level of care as initially registered are exceeded. Tariffs are negotiated annually with the hospital groups and consensus is reached on new technology and equipment considered to be cost drivers. Case management is done by registered nurses who clinically validate the additional length of stay and/or level of care requested by the hospital, based on the procedural (CPT) and diagnostic (ICD) coding, as well as clinical information provided. Extensive case

management is done for patients who require assistance to provide alternatives to excessive length of stay in hospital. Most hospital claims are also subject to clinical audit which ensures that the hospital account is paid in accordance with the service delivered and codes updated during the case management process.

Back treatment programme

During 2011, a total of 110 patients were registered on the Document Based Care (DBC) back treatment programme, which offers an alternative to spinal column surgery for patients meeting specific clinical criteria. Of these, ten had to undergo surgical intervention. The savings on possible operations through an interdisciplinary treatment programme translated to the following:

Savings on surgical costs	R6,512,477.58
DBC programme costs	R 649,006.96
Savings	R5,863,470.62

Medicine expenditure and the Medihelp Preferred Pharmacy Network

The cost of medicine is calculated as the cost of the medicine item (Single Exit Price – SEP) plus the professional fee charged by the pharmacist. The SEP is determined by the Department of Health and remains fixed. The only influence that Medihelp has on the cost of medicine is to negotiate a preferential professional fee on items dispensed to its members. The main cost driver on medicine remains the fixed SEP, but the Scheme succeeded in reducing the overall cost per beneficiary compared to 2010 with the implementation of the Medihelp Preferred Pharmacy Network on 1 January 2011.

A preferential professional fee on dispensed medicine ensures members the lowest possible price on medicine, contributing to stretching their medicine benefits and limiting co-payments. Approximately 2,000 pharmacies are currently included in the Medihelp Preferred Pharmacy Network. Compared to utilisation during 2010, Medihelp experienced a decrease in the utilisation of medicine benefits during 2011. Medihelp experienced a notable increase in the utilisation of oncology and PMB medicine benefits from 2010 – 2011, a trend which will in all probability continue in 2012.

Oncology

Medihelp joined forces with the Independent Clinical Oncology Network (ICON), a network of clinical oncologists, to provide cost-effective, quality cancer treatment to beneficiaries on the Necesse benefit option, whilst the South African Oncology Consortium (SAOC) is the designated service provider of cancer care for members on all other benefit options.

The cost of cancer treatment is considerable – advanced technology enhances treatment outcomes and survival rate, often with fewer side effects, but is naturally cost-intensive.

Preventative care

Medihelp places great emphasis on the importance of preventative care, hence the health and benefit booster offers benefits for vaccinations and diagnostic tests across the Medihelp Plus and Dimension range of benefit options. These benefits offer members access to preventative care interventions, without affecting their day-to-day benefits. The tests/ procedures indicated as part of Medihelp's preventative care bouquet are paid in full according to scheme tariffs. These benefits aim to identify health risks early and to ensure appropriate intervention.

Utilisation of preventative care benefits during 2011

Preventative care benefit	Number of claims
Prostate test	15,065
PAP smear	13,343
Mammogram	11,034
HIV test	57
Flu immunisation	14,971
Cholesterol test	19,622
Blood sugar test	23,717
Paediatric consultations	6,404

Source: Medihelp Data Warehouse

Human capital

Medihelp is an organisation with strong core values and views its employees as its most valuable asset. We offer our approximately 750 employees competitive employment benefits, recognising performance through fixed and variable remuneration which is market-related and based on set performance indicators. The blend of skill and knowledge of the management team provides the leadership and innovation required to take the organisation forward, and productivity and innovation are the drivers which ensure that our customers experience the service they deserve.

Administrative performance

During 2011 Medihelp received over 3.6 million claims, of which more than 89.74% were received and processed electronically, as opposed to 88.96% in 2010. On average, claims (electronic as well as paper claims) were paid within 5.43 calendar days from date of receipt. Members and suppliers continue to prefer lodging enquiries with the Customer Care Contact Centres where 1,094,114 telephone calls were attended to by consultants in 2011, while 369,580 written enquiries were answered by the Scheme.

Technological and IT developments

The success of any medical scheme is largely dependent on the quality and capacity of its information technology to ensure smooth service delivery. Keeping pace with technology is vital to ensure that the Scheme delivers in terms of service on the one hand and the interpretation of accurate and complete data required for effective management of risk on the other. The requirements of complex coding systems, managing networks and managed healthcare interventions are some of the myriad of challenges which the system must accommodate. Medihelp's systems are developed in-house as part of a process-driven approach, which is a major advantage to the Scheme and is mirrored in the positive outcomes achieved.

E-communication

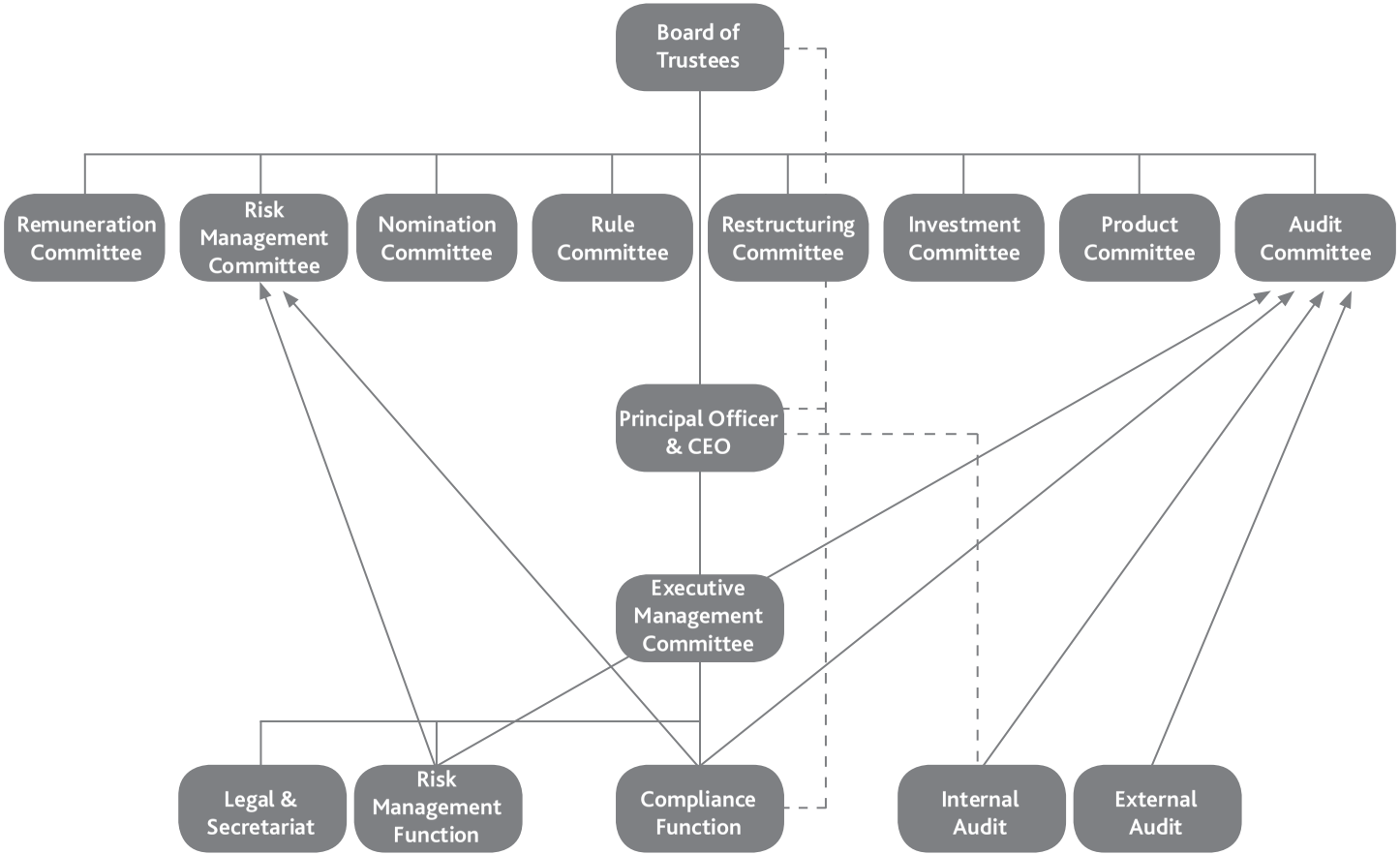
The landscape of communication has changed. Traditional means of communication have increasingly made way for e-communication with more people gaining access to the Internet and doing business online. During 2011, Medihelp also focused on enhancing our online engagement with customers. It included the launch of new secured sites for members, brokers and suppliers of healthcare services with more e-business functionalities on these sites. The development of a new secured site for corporate groups is also under way and will be launched during 2012. The further optimisation of the secured sites will remain a priority in 2012. Where preferred by members, mass communication through mailed letters was also replaced by e-mails.

A mobile phone functionality was also introduced to enable members of the Necesse benefit option to locate network suppliers via their cell phones. Marketing also launched a mobile Medihelp marketing website and focused on increasing the user-friendliness and traffic to Medihelp's website. It paid off with a noticeable increase in the number of visits to Medihelp's website.

Corporate governance

The principles of good corporate governance as contained in the King III Code of Governance Principles for South Africa 2009 form an integral part of Medihelp's business ethics. Medihelp is committed to applying these principles and is already in the process of implementing measures to comply with the enhanced reporting requirements.

The following provides the governance structure of the organisation, while details of the members of the respective committees are contained in the report by the Board of Trustees which forms part of the financial statements.


Board of Trustees
Remuneration Committee
Risk Management Committee
Nomination Committee
Rule Committee
Restructuring Committee
Investment Committee
Product Committee
Audit Committee
Principal Officer & CEO
Executive Management Committee
Legal & Secretariat
Risk Management Function
Compliance Function
Internal Audit
External Audit

"Living with" series

The Medihelp-produced 13-part "Living with" series of documentary DVDs on psychiatric conditions has performed consistently well with tertiary institutions such as the University of Pretoria, North West University, the University of Stellenbosch and other smaller institutions purchasing the series to include in their course notes for undergraduate psychology lectures. The series was also exhibited during the annual congress of the Psychology Society of South Africa (PsySSA) and the international World Mental Health Conference, and healthcare professionals consider the series a valuable resource in educating patients and family members.

"'n Lewe met" on kykNET

The second series of the kykNET discussion programme, "'n Lewe met", based on the concept of the Medihelp "Living with" series, was broadcast towards the end of the year. It was once again presented by well-known journalist Ruda Landman and psychiatrist Dr Franco Colin. Feedback on the programme has again been overwhelmingly positive.

Community involvement

Medihelp hosted a golf day to engage with stakeholders and raise funds for corporate social investment. Golfers donated soft toys and school stationery as part of their entry fee. A total of 297 gifts were donated and the funds raised were used to purchase additional soft toys and stationery. The soft toys where handed out to children in the oncology and paediatric wards at the Steve Biko Academic Hospital and school stationery donated to a local primary school. The initiatives received media coverage in the local press.

Medihelp has been supporting the Darling Trust since 2009, and its 2011 contribution was made to further assist the Darling Trust with the education of pre-school children and the youth of Darling and the surrounding Swartland area. Medihelp supported the Darling Early Childhood Development (ECD) projects that will be applied to the Grade R class with 30 learners as well as the crèche with 50 kids.

Contributions were also made to establish an essential service at the Somerset Hospital by assisting in providing paediatric surgical instruments.

Marketing

A new marketing campaign was launched towards the end of 2010 and Medihelp continued throughout 2011 to support events that promote a healthy and active lifestyle, such as the 37th annual Medihelp Sunrise Monster and the Medihelp Tekkie Challenge road races. Integration of marketing and communication efforts and channels and the optimisation of its usage will be a priority in 2012, as the increased use of technology and the changes in

consumer behaviour necessitate it. Social media platforms will be developed to increase brand interaction and Medihelp's online presence increased in support of sales efforts.

Appreciation

Medihelp could not have achieved success without the loyalty and support of our members, the suppliers of healthcare services who take care of our members and the brokers who grow Medihelp's business every day. I wish to thank Medihelp's Board of Trustees, the executive team, management and personnel for their hard work and dedication. I look forward to another year of commitment to the organisation, and all indications are that we will continue to achieve success in 2012 and ensure that Medihelp members can look forward to excellent cover and service.

I attribute all the honour for Medihelp's achievements to God for continuing to lead and bless this organisation every single day, and our thanks are to Him through whom all things are possible.

Anton Rijnen
Principal Officer & CEO

Report of the Board of Trustees

The Board of Trustees hereby presents its report for the year ended 31 December 2011 as follows:

1. Description of the medical scheme

1.1 Terms of registration

Medihelp ("the Scheme") is a self-administered not-for-profit open medical scheme registered with reference number 1149 in terms of the Medical Schemes Act, 1998 as amended.

1.2 Insurance contract options within Medihelp

The Scheme offered seven insurance contract options to employees of participating employers and members of the public during the period under review. These were:

- Medihelp Plus
- Dimension Elite
- Dimension Prime 3
- Dimension Prime 2
- Dimension Prime 1
- Necesse
- Unify

1.3 Savings plan

Members of the Dimension Prime 2 insurance contract pay an agreed sum of approximately 22% of their gross contributions into a savings plan to help pay the members' portion of healthcare costs, up to a prescribed threshold.

All unexpended savings plan amounts are accumulated for the long-term benefit of the member. No interest is paid on the credit balances, nor is any interest raised on debit balances and no administration cost is charged against the savings plan.

The liability to members in respect of the savings plan is reflected as a financial liability in the Consolidated Financial Statements, repayable in terms of regulation 10 of the Regulations under the Act.

Savings plan contributions are refundable when a member leaves the Scheme or transfers to an option within the Scheme which does not offer a savings plan. The money will be transferred to the member in terms of the Rules of the Scheme.

1.4 Risk transfer arrangements

The Scheme does not make use of commercial reinsurance cover and carries all risks from accumulated funds. This decision was taken after an actuarial model was used to determine the need for reinsurance cover and it was found to be unnecessary in view

of the size of the Scheme. Commercial reinsurance cover would have resulted in an unjustifiable net expense for the Scheme.

The Scheme however entered into capitation agreements with several service providers to provide certain benefits. These agreements are with Netcare 911, UDIPA, Denis and PPN.

Further details regarding the nature, terms and conditions of these risk transfer arrangements can be seen in note 18 to the Consolidated Financial Statements.

2. Management

2.1 Board of Trustees in office during the year under review (in alphabetical order)

Mr EJ du Preez		Re-elected on 23 June 2011
Mr JC Klopper		
Mr HJ Koekemoer		
Ms EM Malan		Term of office expired on 23 June 2011
Prof MJ van Staden	Vice-chairman	
Dr HE Vosloo		Elected on 23 June 2011
Mr PJ Vosloo	Chairman	Re-elected by the members of the Board of Trustees as chairman on 23 June 2011

A quorum was present for all meetings held during 2011.

All the Scheme's current trustees were elected by members. The terms of office of Mr PJ Vosloo and Mr HJ Koekemoer expire on 21 June 2012.

2.2 Principal Officer

Mr AO Rijnen	Principal Officer & CEO of the Scheme Managing Director of MediMarketing (Pty) Ltd

2.3 Registered office address and postal address

84 Beatrix Street	PO Box 26004
Arcadia	Arcadia
Pretoria	0007
0083	

2.4 Medical scheme administrator during the year

Medihelp is a self-administered scheme.

2.5 Investment managers during the year

Investments are managed by skilled personnel of the Scheme under the guidence of the Investment Committee while the Allan Gray Life Domestic Balanced Portfolio is managed by Allan Gray Life Limited. The balance of the SIS Flexible Fund was transfered to Allan Gray during January 2011.

Allan Gray Life Ltd

2nd Floor	PO Box 51318
Granger Bay Court	V&A Waterfront
Beach Road	Cape Town
V&A Waterfront	8002

Financial service provider number: 6663

2.6 Auditors

PricewaterhouseCoopers Inc

32 Ida Street	PO Box 35296
Menlo Park	Menlo Park
0102	0102

3. Review of the accounting period's activities

General information

Medihelp Medical Scheme is an open medical scheme, registered under the Medical Schemes Act.

The Scheme provides cover for types of services that are categorised under core benefits and day-to-day services, of which the levels of cover differ per insurance contract. Types of services that qualify for core benefits include hospitalisation, prosthesis components, private nursing, emergency evacuation, blood transfusion, renal dialysis, technologist services, oxygen and oncology. Types of services that qualify for day-to-day benefits include consultations by general practitioners and specialists, radiology, pathology, dental, physiotherapy and optical services, medical, surgical and orthopaedic appliances, non-chronic and chronic medicine and supplementary health services out of hospital.

3.1 Results of operations

The results of the year's activities are clearly set out in the Consolidated Financial Statements and the Board of Trustees believes no further clarification is needed.

3.2 Solvency ratio

Total members' funds per Consolidated Statement of Financial Position	
Less: Available-for-sale fair value reserve	
Fair value adjustment at date of transition to IFRS for property, plant and equipment included in the accumulated funds	
Accumulated funds per regulation 29 of the Regulations under the Medical Schemes Act, 1998	
Gross contributions	
Solvency ratio	

3.3 Reserve accounts

Movements on the members' funds are clearly set out in the Consolidated Statement of Comprehensive Income in the Consolidated Financial Statements. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Scheme.

3.4 Outstanding claims

The basis of the calculation and the movement of the outstanding claims provision is discussed in note 11 to the Consolidated Financial Statements and is consistent with prior years. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Scheme.

	Group		Scheme	
	2011	2010	2011	2010
	R	R	R	R
	1,337,309,657	1,162,446,302	1,337,223,979	1,162,349,966
	(116,431,946)	(105,484,167)	(116,431,946)	(105,484,167)
	(16,290,109)	(16,290,109)	(16,290,109)	(16,290,109)
	1,204,587,602	1,040,672,026	1,204,501,924	1,040,575,690
	4,117,903,272	3,797,744,170	4,117,903,272	3,797,744,170
	29,25%	27,40%	29,25%	27,40%

3.5 Operational statistics per insurance contract

Average number of members during the accounting period
Number of members at the end of the accounting period
Average number of beneficiaries during the accounting period
Number of beneficiaries at the end of the accounting period
Dependants per member at the end of the accounting period
Average net contributions per average beneficiary per month
Relevant healthcare expenditure as a percentage of net contributions
Relevant healthcare expenditure per average beneficiary per month
Non-healthcare expenses as a percentage of net contributions *
Non-healthcare expenses per average beneficiary per month
Average age of beneficiaries
Pensioner ratio (beneficiaries > 65)
Average accumulated funds per member at the end of the accounting period **
Return on investments as a percentage of investments

Average number of members during the accounting period
Number of members at the end of the accounting period
Average number of beneficiaries during the accounting period
Number of beneficiaries at the end of the accounting period
Dependants per member at the end of the accounting period
Average net contributions per average beneficiary per month
Relevant healthcare expenditure as a percentage of net contributions
Relevant healthcare expenditure per average beneficiary per month
Non-healthcare expenses as a percentage of net contributions *
Non-healthcare expenses per average beneficiary per month
Average age of beneficiaries
Pensioner ratio (beneficiaries > 65)
Average accumulated funds per member at the end of the accounting period **
Return on investments as a percentage of investments

* Non-healthcare expenses include administration expenditure, managed care: management services, broker service fees and net impairment losses.

** Accumulated funds are not distributed per insurance contract.

For the year ended 31 December 2011							
Medihelp Plus	Dimension Elite	Dimension Prime 3	Dimension Prime 2	Dimension Prime 1	Necesse	Unify	Total
25,848	23,813	26,663	11,446	10,610	20,784	3,479	122,643
24,840	22,734	26,758	11,642	11,175	20,435	3,408	120,992
33,425	44,437	65,341	26,543	24,409	39,023	11,573	244,751
31,957	42,156	65,762	26,961	25,666	38,296	11,405	242,203
0.29	0.85	1.46	1.32	1.30	0.87	2.35	1.00
3,758.63	1,759.48	1,015.75	696.96	646.52	648.47	723.70	1,381.60
85.8%	84.7%	88.0%	84.5%	88.1%	99.3%	89.2%	87.1%
3,224.97	1,490.17	893.88	588.73	569.30	643.62	645.33	1,203.38
10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
406.41	190.30	109.90	75.43	69.96	70.20	78.31	149.45
69	48	33	34	34	31	26	40
73.3%	24.6%	6.9%	9.6%	7.8%	4.4%	1.7%	18.5%
n/a	n/a	n/a	n/a	n/a	n/a	n/a	9,955
n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.7%

For the year ended 31 December 2010							
Medihelp Plus	Dimension Elite	Dimension Prime 3	Dimension Prime 2	Dimension Prime 1	Necesse	Unify	Total
29,034	28,265	22,517	10,570	9,005	17,412	3,237	120,040
27,792	27,555	23,885	10,950	9,606	20,677	3,332	123,797
38,253	54,315	55,378	24,540	20,834	33,036	10,927	237,283
36,399	52,705	58,796	25,529	22,121	39,433	11,123	246,106
0.31	0.91	1.46	1.33	1.30	0.91	2.34	0.99
3,426.54	1,449.29	916.15	640.42	553.28	525.08	692.87	1,317.79
84.1%	99.2%	92.6%	87.7%	84.8%	103.3%	85.8%	90.6%
2,880.59	1,437.50	848.48	561.54	469.15	542.25	594.59	1,193.60
10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%
372.15	157.58	99.75	69.80	60.27	57.34	75.45	143.32
69	46	31	34	34	29	24	40
70.8%	21.8%	6.1%	9.9%	8.1%	3.4%	1.7%	19.0%
n/a	n/a	n/a	n/a	n/a	n/a	n/a	8,406
n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.9%

3.6 Reporting in terms of International Financial Reporting Standards (IFRS)
The Board of Trustees applied all the applicable requirements of IFRS and the Medical Schemes Act, 1998 to the Consolidated Financial Statements.

4. Investment strategy of the Scheme

The Scheme's investment objective is to maximise the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees.

The mandate given by the Board of Trustees to the Investment Committee is to invest surplus funds in accordance with risk-minimising measures at institutions offering the highest possible returns. The Scheme invested in fixed deposits and placed a long-term investment with investment managers during 2006. This investment policy is reviewed on a regular basis, taking into consideration compliance with the Medical Schemes Act, 1998, the risk and returns of the various investment instruments, and the surplus of funds available.

Investments in wholly-owned subsidiaries:

MediMarketing (Proprietary) Limited
MediMarketing is a marketing company that manages the recruitment of new members and the retention of the Scheme's existing members. MediMarketing's registered offices are situated on the Scheme's premises.

MEDICHRON (Proprietary) Limited
MEDICHRON is a chronic pharmaceutical benefit management company which is dormant. MEDICHRON's registered offices are situated on the Scheme's premises.

5. Management of risks

Risk management and investment decisions are made under the guidance and policies approved by the Board of Trustees. The Investment Committee identifies and evaluates financial risks associated with the Scheme's investment portfolio. The Investment Committee provides written principles for risk management, as well as the management of specific areas, such as interest rate risk, credit risk and investing excess liquidity. The Board of Trustees approves all investment policies.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions involving pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements, as well as the monitoring of emerging issues. A team of forensic auditors investigates trends, service providers and members for possible fraudulent transactions on a continuous basis.

The Board of Trustees also uses a risk register to manage risks within the Scheme.

5.1 Actuarial/statistical services

Medical schemes, like Medihelp, do not by definition have long-term liabilities to members, which is why the Board of Trustees is of the opinion that an actuarial valuation of the Scheme is not required. The role of actuaries at medical schemes is mainly to enhance risk management measures. The Scheme therefore used a statistical company named Arche Risk Management Specialists to provide the Scheme with reliable short-term estimates of outstanding claims. Arche Risk Management Specialists also assisted the Scheme with the calculation of contribution tables. The Scheme employed an actuary in September 2011 to replace the functions performed by Arche Risk Management Specialists.

The Scheme uses actuarial valuations in determining its liability regarding post-retirement employee benefits in terms of the requirements of IAS 19, Post-Retirement Employee Benefits.

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Menlyn Woods Phase 2
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0043
Financial service provider number: 13900

Private Bag X137
Halfway House
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6. Fidelity cover

Adequate fidelity cover exists in terms of the Medical Schemes Act, 1998.

7. Events after statement of financial position date

7.1 In January 2007 the High Court of South Africa, in the case of the Registrar of Medical Schemes vs. the liquidators of OmniHealth and others (case 18545/06, the OmniHealth case) ruled that funds standing to the credit of the personal medical savings accounts of the members constitute trust money as defined in section 1 of the Financial Institutions (Protection of Funds) Act, 2001. It also ordered that interest accrued on these amounts must be paid to the members and if any members cannot be located, the balance pertaining to such members must be paid into the Guardians Fund to be administered thereunder.

Savings account trust moneys, managed by the trustees on behalf of the members (savings plan liability) are included in cash and cash equivalents.

A separate trust account was set up for all members' savings accounts on 1 January 2012. Members will earn interest and pay bank charges on balances in their respective savings accounts at the end of each month which will be based on the interest earned and bank charges paid by the trust account. No administration fee will be charged by the Scheme.

7.2 The members of the Scheme approved a resolution in 2003 to sell the administration function of the Scheme in order to pursue further business opportunities. The process involves the selling of the administration function to a black economic empowerment (BEE) partner. Before this process can be finalised the Council for Medical Schemes must first confirm that the transaction does not constitute undesirable business practice. It is foreseen that the transaction will be finalised during 2012.

7.3 The Scheme received a letter in November 2011 from National Treasury informing the Scheme that Government would no longer pay the contributions of a specific group of pensioners who retired prior to 1 July 1992 and who are part of the Medihelp Plus insurance contract option from 1 April 2012. National Treasury will only pay the contributions of this group of members if they enrol at the Goverment Employees Medical Scheme (GEMS). The effect of this possible loss of approximitely 17,000 members will be an increase of 3.5% in the Scheme's solvency ratio (which is based on a 2012 projection).

8. Investments in and loans to participating employers of members of the medical scheme and to other related parties

The Scheme holds no investments in participating employers of medical scheme members.

9. Related party transactions

Related party transactions are disclosed in note 27 to the Consolidated Financial Statements.

Trustee remuneration is disclosed in note 34 to the Consolidated Financial Statements, as well as on page 30 and 31 of this report.

10. Audit Committee

The Audit Committee was established in accordance with the provisions of the

Medical Schemes Act, 1998. The committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The committee consists of five members, two of whom are members of the Board of Trustees and are not executive officers of the Scheme. The majority of the committee, including the chairman, are not officers of the Scheme. The committee met on three occasions during the course of the year:

15 February 2011
12 April 2011
30 August 2011

The meetings were attended by all members of the committee.

The members of the Board of Trustees of the Scheme, relevant senior management and the external auditors have unrestricted access to the chairman of the committee.

In accordance with the provisions of the Medical Schemes Act, 1998, the primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems and financial reporting practices. The external and internal auditors formally report to the committee on critical findings arising from audit activities.

The Audit Committee is pleased to report that -

- It has carried out its duties in terms of the Medical Schemes Act, 1998 and the Board of Trustees' written Audit Committee Charter;
- The external auditors have confirmed their independence;
- It has carried out oversight of the risk and governance processes adopted and implemented by the Board of Trustees and management;
- The assurances provided by management, the external auditors and the internal auditors have satisfied the committee that internal controls are adequate and effective; and
- It has reviewed the Scheme's Consolidated Financial Statements, reviewed the accounting policies, obtained assurances from the external auditors and recommend the adoption of the Consolidated Financial Statements by the Board of Trustees for presentation to members.

Fraud reporting channels are in place where fraud by members, service providers and brokers can be reported. These reports are dealt with in terms of the the Scheme's fraud policy.

At year-end the committee comprised: JFJ Scheepers (chairman), MJ Brown, HJ Koekemoer, C du Toit and PJ Vosloo.

11. Investment Committee

The Investment Committee was established and is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. This committee consists of three members who are members of the Board of Trustees and are not executive officers of the Scheme. The committee met on two occasions during the course of the year:

11 April 2011
16 November 2011

The meetings were attended by all members of the committee, except Mr PJ Vosloo, who did not attend the meeting held on 11 April 2011.

The primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the investment policy of the Scheme.

At year-end the committee comprised: EJ du Preez, MJ van Staden (chairman) and PJ Vosloo.

12. Rule Committee

The Rule Committee was established and is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. This committee consists of three members who are members of the Board of Trustees and are not executive officers of the Scheme, and who possess in-depth knowledge of the Scheme's philosophy with regard to the Rules, the history of the Rules and the Scheme's operational processes and activities. Due to the implications of the Rules on the functioning of the Scheme and the liabilities that the Scheme can incur in this regard, the Rule Committee may co-opt persons with legal, financial and other expertise. The committee met on three occasions during the course of the year:

11 April 2011
24 August 2011
7 November 2011

The meetings were attended by all members of the committee.

The primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the Rules of the Scheme.

At year-end the committee comprised: EJ du Preez (chairman), HJ Koekemoer and HE Vosloo. Other trustees could also attend the meetings. The meeting held on 7 November 2011 was also attended by PJ Vosloo.

13. Remuneration Committee

The Remuneration Committee was established and is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. This committee consists of four members, two of whom are members of the Board of Trustees and not executive officers of the Scheme. The committee met on three occasions during the course of the year:

13 April 2011
24 August 2011
7 November 2011

These meetings were attended by all members of the committee, except Mr L Grubb, who did not attend the meeting held on 7 November 2011.

The primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the remuneration of the Scheme's employees and the Board of Trustees. The Scheme's remuneration policy aims to remunerate personnel and trustees on market-related levels considering the Scheme's financial ability.

At year-end the committee comprised: A van Wyk (chairman), HE Vosloo, JC Klopper and L Grubb. Other trustees could also attend the meetings. The meeting held on 7 November 2011 was also attended by PJ Vosloo and HJ Koekemoer.

14. Trustees of the Medihelp Pension Fund

The Board of Trustees of the Scheme appointed three senior employees to represent the employer on the Board of Trustees of the pension fund and a further three members were elected from the ranks of the Scheme's employees who are also members of the pension fund. The Trustees met on two occasions during the course of the year:

17 March 2011
25 October 2011

These meetings were attended by all trustees.

At year-end the trustees of the pension fund were: AO Rijnen (chairman), DE Klue, B Hertzog, JJ van Eeden, C Agenbach and GJ Wagner.

15. Product Committee

The Product Committee was established and is mandated by the Board of Trustees by

means of written terms of reference as to its membership, authority and duties. This committee consists of six members who are members of the Board of Trustees and not executive officers of the Scheme. The committee met once during the course of the year:

5 August 2011

The meeting was attended by all members of the committee.

At year-end the committee comprised: HJ Koekemoer (chairman), HE Vosloo, MJ van Staden, EJ du Preez, PJ Vosloo and JC Klopper.

16. Restructuring Committee

The Restructuring Committee was established and is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. This committee consists of four members, all of whom are members of the Board of Trustees and not executive officers of the Scheme. The committee met on six occasions during the course of the year:

6 June 2011
16 August 2011
13 September 2011
4 October 2011
7 November 2011
17 November 2011

These meetings were attended by all members of the committee.

The primary responsibility of the committee is to assist the Board of Trustees with the possible restructuring of the Scheme and the establishment of an administation company.

At year-end the committee comprised: PJ Vosloo (chairman), JC Klopper, HJ Koekemoer and MJ van Staden. Other trustees could also attend the meetings.

17. Board of Trustees and committee meeting attendance and remuneration

The following schedule sets out the attendance at meetings of the Board of Trustees and attendance by members of committees of the Board of Trustees. Trustee remuneration is disclosed in note 34 to the Consolidated Financial Statements, as well as on page 30 and 31 of this report.

Trustee/committee member	Scheduled Board meetings	Special Board meetings	Restructuring Committee meetings	Audit Committee meetings	Investment Committee meetings	Product Committee meetings	Remuneration Committee meetings	Rule Committee meetings
Number of meetings for the year	6	1	6	3	2	1	3	3
Trustees								
EJ du Preez	6	1			2	1		3
JC Klopper	6	1	6			1	3	
HJ Koekemoer	6	1	6	3		1		3
EM Malan	3						1	1
MJ van Staden	6	1	6		2	1		
HE Vosloo	3	1				1	2	2
PJ Vosloo	6	1	6	3	1	1		
Independent members								
MJ Brown				3				
C du Toit				3				
L Grubb							2	
JFJ Scheepers				3				
A van Wyk							3	

18. Post-retirement employee benefits

An annual actuarial valuation of the Scheme's pension fund showed a net surplus of R1,618,000. The Scheme has not acknowledged this surplus in the Consolidated Financial Statements as this accrues to the pension fund.

19. Non-compliance with the Medical Schemes Act

19.1 In terms of regulation 30(1) and Annexure B of the Medical Schemes Act, 1998 the maximum percentage of aggregate fair value of liabilities for investments in unlisted shares is 2.5%. Due to the substantial increase in the fair value of Curamed Holdings Limited the Scheme exceeds this limitation, but the cost of the investment still falls within the 2.5% requirement. However, the Scheme's Board of Trustees classified this as a long-term strategic asset that will not be sold in the short term. The Scheme has applied for exemption with the Council for Medical Schemes.

19.2 In terms of section 26(7) of the Medical Schemes Act, 1998 all subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due. In this regard rule 18(10) of the Rules of the Scheme stipulates that the Board of Trustees must take all reasonable steps to ensure that contributions are paid timeously to the Scheme in accordance with the Act and the Rules. In order to give effect to this stipulation, rule 11(6) determines the manner in which arrear subscriptions are dealt with. However, with regard to the application of section 26(7) of the Medical Schemes Act, 1998 it is important to note that the Scheme has no control over the timely payment of subscription to the Scheme. This issue was raised with the Registrar of Medical Schemes and the Scheme has received written confirmation from the Council for Medical Schemes that the legal obligation lies with the member/employer to pay subscription within the prescribed period.

19.3 In terms of section 33(2) of the Medical Schemes Act, 1998 each insurance contract shall be self-supporting in terms of membership and financial performance and shall be financially sound. The Necesse insurance contract operated at a deficit for the year ended 31 December 2011. During 2011 the network functions of the Necesse insurance contract was performed internally and there was a substantial increase in the utilisation of the insurance contract. This resulted in hospital networks being introduced in 2012 for the Necesse insurance contract.

19.4 In terms of section 35(8)(c) of the Medical Schemes Act, 1998 a medical scheme shall not invest any of its assets in the business of or grant loans to any administrator. The Scheme held investments in Liberty Holdings, MMI Holdings Limited, Old Mutual and

Sanlam Limited through its investment portfolio at Allan Gray as well as its direct shareholding in Sanlam Limited. It is the view of the trustees that these investments do not pose a risk to the Scheme. The Scheme will apply for exemption with the Council for Medical Schemes.

PJ Vosloo
CHAIRMAN

MJ van Staden
VICE-CHAIRMAN

20 April 2012

Trustees' remuneration

2011	Services as trustee R	Committee fees R
HJ Koekemoer	66,939	128,224
EJ du Preez	66,939	71,367
HE Vosloo	35,949	45,715
PJ Vosloo	110,496	148,492
EM Malan	30,990	17,754
MJ van Staden	83,517	92,744
JC Klopper	66,939	90,898
	461,769	595,194

2010	Services as trustee R	Committee fees R
HJ Koekemoer	63,830	73,682
EJ du Preez	49,355	62,113
LM du Toit	28,695	12,791
PJ Vosloo	59,777	81,562
EM Malan	49,355	52,604
MJ van Staden	61,806	61,820
JC Klopper	20,660	26,631
	333,478	371,203

Travel and accommodation R	Telephone expenses R	Training R	Total considerations R
-	1,200	-	196,363
9,616	1,200	-	149,122
19,214	600	-	101,478
101,219	1,200	-	361,407
31,444	600	-	80,788
2,202	1,200	-	179,663
-	1,200	-	159,037
163,695	7,200	-	1,227,858

Travel and accommodation R	Telephone expenses R	Training R	Total considerations R
53,635	5,972	19,651	216,770
32,227	1,200	-	144,895
56,530	600	-	98,616
88,753	3,285	-	233,377
85,131	4,052	19,670	210,812
-	1,200	-	124,826
-	600	-	47,891
316,276	16,909	39,321	1,077,187

Agenda for the Annual General Meeting

The agenda for Medihelp's AGM which will be held in the Diamond Auditorium of the CSIR International Conference Centre, Meiring Naudé Road, Brummeria, Pretoria on Thursday, 21 June 2012 at 15.00 is as follows:

1. Opening
2. Issuing of ballot papers to proxies
3. Appointment of Medihelp's external auditors for 2012
4. Election of two members to the Board of Trustees
5. Rule amendment proposed by the Board of Trustees
6. Motion of confidence received from a member
7. Approval of the minutes of the AGM held on 23 June 2011
8. Matters arising from the minutes of the previous AGM
    - 8.1 Item 9: Disposal of Medihelp's administration component as approved by the Annual General Meeting
    - 8.2 Item 12.2: Proposals on benefit improvements received from members
9. Annual report
10. Financial statements as at 31 December 2011
11. Input from the 2012 regional information sessions for the AGM
12. Announcement of voting results
13. Closing

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