



Be Smart. **Keep it Simple.**



ANNUAL GENERAL
MEETING 2018

KeyHealth
MEDICAL SCHEME



Be Smart. **Keep it Simple.**



ANNUAL GENERAL MEETING 2018

Dear KeyHealth member,

NOTICE – 11th ANNUAL GENERAL MEETING: FRIDAY, 17 AUGUST 2018

Notice is hereby given of the 11th Annual General Meeting of KeyHealth Medical Scheme to be held at 11:00 on Friday, 17 August 2018 at the Golden Pipit Conference Venue, End Street 241, Centurion.

Agenda for the meeting

1. Welcome and quorum
2. Apologies
3. Adoption of the agenda
4. Confirmation of the Minutes of the 10th Annual General Meeting of KeyHealth held on 18 August 2017 in Durban
5. Chairperson's review
6. Tabling and acceptance of the annual financial statements
7. Governance
 - 7.1 Remuneration Policy of the Board of Trustees of KeyHealth
 - 7.2 Appointment of auditors
8. Announcement of newly elected Trustees - Electoral Officer
9. Acknowledgements
10. Closure

The 2017 Audited Financial Statements and Trustees' report will be available on our website www.keyhealthmedical.co.za.

A proxy form is attached should you not be able to attend the Annual General Meeting on 17 August 2018 and wish to assign your vote to a representative to act on your behalf. As a control measure your completed proxy form must reach the Scheme before 12:00 on Monday, 13 August 2018. The forms can either be emailed to proxies@keymed.co.za or delivered by hand at the offices situated at 86 Koranna Avenue, Doringkloof, Centurion. (Kindly note that incomplete forms will be regarded as invalid and no proxy forms will be accepted at the Annual General Meeting.)

Trust that you will have a pleasant meeting.

J.H. GREYLING
CHAIRPERSON
KEYHEALTH MEDICAL SCHEME

Many members are not afforded the opportunity of attending the KeyHealth Annual General Meeting. Pre-AGM meetings will be held around the country in various centers. At these meetings the full agenda of the Annual General Meeting will be discussed. This will provide members that cannot attend the AGM the opportunity to become part of the process.

Please note the following dates and venues for these pre-AGM meetings –

DATE	VENUE	TIME
4 July 2018	The Beach Hotel, Marine Drive, Summerstrand, Port Elizabeth	14:00
5 July 2018	Fountains Hotel, 1 St Georges Mall, City Centre, Cape Town	14:00
18 July 2018	Auditorium, eThekweni Health Unit, 9 Archie Gumede Place, Central Durban	14:00
25 July 2018	Boksburg City Hall, Trichardt's Road, Boksburg	11:00
1 August 2018	TS du Plessis Hall, Ryk and Stateway Streets, Civic Centre, Welkom	11:00
6 August 2018	Fortis Hotel, 167 Jellicoe Street, Witbank	11:00
7 August 2018	Old Town Hall, Cnr Beyers Naude & Fatima Bhayat Drive (Next to Rustenburg Local Municipality), Rustenburg	11:00



MINUTES OF THE TENTH ANNUAL GENERAL MEETING OF KEYHEALTH MEDICAL SCHEME

HELD ON 18 AUGUST 2017 IN DURBAN AT 11:00

1. REGISTRATION

A schedule of members who attended the meeting is contained in an attendance register and copies thereof attached to the original copy of the minutes.

2. WELCOME AND QUORUM

The Chairperson requested the Head: Finance, Mr A. van Rensburg to proceed to read the notice of the meeting upon which he confirmed that a quorum was present and declared the meeting officially opened.

The Chairperson requested Mr A.D. Young to open the proceedings upon which Mr A.D. Young firstly requested Mr P. Bennett to open the meeting with a prayer. Mr A. D. Young proceeded to welcome the members of the Scheme and thanked them for their time and effort to attend the Annual General Meeting. He then introduced the Chairperson, Mr J. Greyling, the Deputy Chairperson, Mr P. Gouws and all Trustees as well as the personnel of the Scheme and Administrator to the meeting. A special word of welcome was extended to the representatives of the eThekweni Metropolitan Municipality as well as the representatives of the broker houses for their attendance and support to KeyHealth.

The Chairperson thanked Mr A.D. Young for his opening remarks and confirmed that the meeting can proceed with the business of the day.

3. APOLOGIES

Scheme members who submitted proxies (total of 22 proxies).

J.P. Deetlefs (Trustee)

B.J. Kruger (Chief Executive Officer)

G. Boardman

4. ADOPTION OF THE AGENDA

The agenda of the meeting was adopted without any amendments or additional items.

The Chairperson said that the agenda of the Annual General Meeting was distributed to all members either via e-mail or post, was available on the KeyHealth website and was also made available to members when they registered earlier this morning.

5. CONFIRMATION OF THE MINUTES OF THE 9th ANNUAL GENERAL MEETING OF KEYHEALTH HELD ON 19 AUGUST 2016 IN POTCHEFSTROOM



RESOLVED:

- 5.1 That the Minutes of the 9th Annual General Meeting of KeyHealth held on 19 August 2016 be approved as a true reflection of the proceedings of the meeting. (Proposed - O.J.H. Mulder / Seconded - D. Heuer)

6. CHAIRPERSON'S REVIEW

The Chairperson briefly gave an overview of the year under review with specific reference to the improved solvency ratio, reduced claims ratio, challenges in growing the Scheme, average age of members as well as the the distribution of contributions insofar the payments of benefits (91%) to members. He referred to the various marketing initiatives such as KeyHealth's social media presence (62 000 likes on Facebook), advertising campaign (commercial on television), sponsorships as well as the smartphone application available for members to download. He noted that in line with the inclusive approach of the Board to take the Scheme to the members that seven pre-AGM meetings were held in various centers across South Africa which were attended by a total of 277 members.

The Chairperson remarked that the weighted average of premium increases expected for 2018 would in all probability be less than 10%, which took a great effort by the Scheme in the best interest of the members. He concluded his review by referring to future developments and mentioned the National Health Insurance (NHI) model announced by the Department of Health, being a very noble initiative with the challenges lying in the funding of the model, which model will be informed by inputs from all stakeholders within the medical environment.

7. ACCEPTANCE OF THE ANNUAL FINANCIAL STATEMENTS

The Chairperson requested the Head: Finance, Risk and Audit to present the extract from the Annual Financial Statements for the period ended 31 December 2016 to the meeting. The Head: Finance, Risk and Audit mentioned that although a copy of the full set of Annual Financial Statements was available to members upon registration earlier this morning that the document could also be obtained from the Scheme's website.

He mentioned that the extract from the statements is guided by the minimum requirements of the Council for Medical Schemes as well as legislation and proceeded to present the information to the meeting. He briefly gave an explanation on the Risk transfer arrangements and announced that the solvency ratio projected by the actuary for the end of 2017 will be in excess of 32%, which was good news to the members of the Scheme.

He referred to the Statement of Comprehensive Income highlighting that Relevant Healthcare Expenditure increased with only 4,4% while the Non-Healthcare Expenditure was less than 9% of contributions resulting in a net Healthcare increase of 5,3%, which was below last year's inflation, giving credit to the Trustees for the manner in which they manage these expenses. He said that the Scheme closed with a surplus of R34 million for the year under review.

He referred to the Surplus/(deficit) from operations per benefit option and mentioned that three options did not realise surpluses in 2016, which was in contravention of the Medical Schemes Act, 1998 (Act 131 of 1998) and listed as a non-compliance in the Annual Financial Statements.

He provided an explanation on the three matters that were identified by the external auditors as being non-compliant to the Medical Scheme Act, 1998 (Act 131 of 1998).

After the presentation on the extract from the Annual Financial Statements for the period ended 31 December 2016 and the following questions being raised in respect thereof answered, the meeting resolved as follows -

- * Correspondence sent to members when payment is in arrears due to non or late payment by the municipality
- * Attendance of pre-AGM meetings by Trustees
- * Affordability of options for pensioners in Local Government due to amended subsidy percentages

RESOLVED:

- 7.1 That the Financial Statements of KeyHealth for the year ended 31 December 2016 be accepted.

8. REMUNERATION POLICY OF THE BOARD OF TRUSTEES OF KEYHEALTH

RESOLVED:

- 8.1 That an annual inflationary increase of 8% on the

Trustee Remuneration structure be implemented.

- 8.2 That the Trustee Remuneration Policy be amended to provide for a maximum meeting allowance of R3000.00 per day to stay abreast of industry norms.

9. APPOINTMENT OF AUDITORS FOR THE YEAR ENDING 31 DECEMBER 2017

RESOLVED:

- 9.1 That the Auditors, Messrs Deloitte and Touche be re-appointed as external auditors of KeyHealth for the audit of the 2017 financial year, in accordance with legislation.

10. ACKNOWLEDGEMENTS

The Chairperson expressed his sincere thanks to all the members for their presence and the interest that they have shown to attend the meeting.

Following an earlier remark by a member on the NHI, the Chairperson remarked that the Chief Executive Officer was not present today as he was attending a session at the Council of Medical Schemes on this matter. He once again assured the meeting that the Scheme will pro-actively submit inputs on the NHI White Paper as and when required to protect the interest of the members of the Scheme in this regard.

He thanked Dr H. Hoffman and Mr T. Leonard with the staff of the Administrator for their dedication to provide excellent services to the members.

He thanked the Head: Marketing and Relations, Mr M. Louw and the Head: Distribution, Ms B. van Wyk and their respective teams for their dedication in growing the membership.

He thanked the Head: Finance, Risk and Audit and his staff for the responsible management of the Scheme's finances.

The Chairperson thanked the Chief Executive Officer, in his absence, for his continued efforts and inputs to ensure that KeyHealth remains a competitive brand, which is not always an easy task.

The Chairperson expressed thanks to the Deputy Chairperson and his fellow Trustees for their continued support.

The Deputy Chairperson thanked the Chairperson for his guidance and leadership that he provides to the Board.

11. CLOSURE

The Chairperson once again thanked the members for their inputs and attendance whilst also wishing them a safe journey home.

The meeting closed at 12:40.





CHAIRPERSON'S REVIEW

My co-Board Members, Scheme Officials, Service Providers and Scheme Members welcome to the 11th Annual General Meeting of KeyHealth.

It is once again my privilege to provide you with an overview of yet another successful year for KeyHealth.

An annual review by an actuarial company on the state of the medical scheme industry in their recent report noted that schemes have been consolidating since 2001 with 144 schemes then and 82 now. The consolidation of schemes and scheme options is a stated goal of National Health Insurance (NHI) and Government is still dead set on the implementation of NHI, which will surely have an impact on all medical schemes.

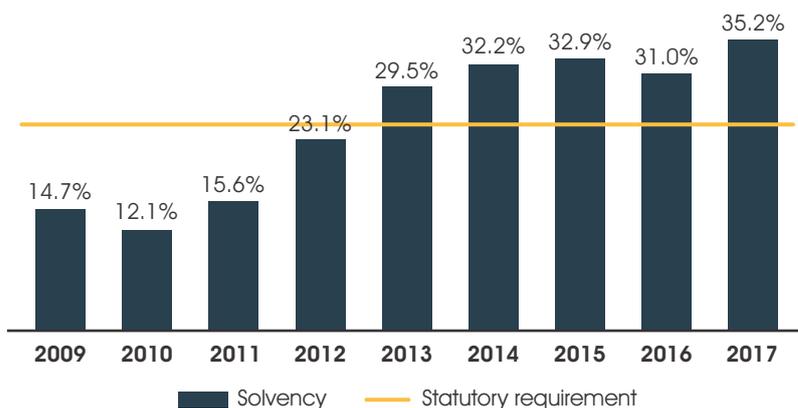
With the above in mind the Board, Executive Management team and employees at all levels still focus on membership growth with the ultimate goal being to remain solvent and a prominent role player in our Industry. This is an ongoing process which we can only maintain with the support of our members and service providers.

The following statistics referring to key performance areas provide an overview of the financial year under review.

SOLVENCY

The Scheme's success story of 2016 continued during 2017 with the emphasis still on effective planning and careful management of the Scheme's risk. KeyHealth managed to increase its solvency level from 31.0 % at the end of 2016 to 35.2% at the end of 2017. The solvency exceeded the 25% required in terms of the Medical Schemes Act.

Figure 1 - Solvency



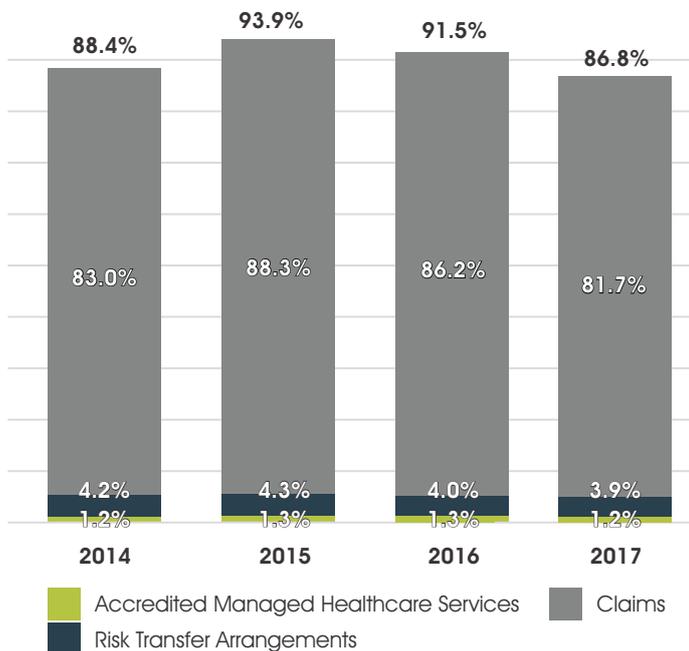
RELEVANT HEALTHCARE EXPENDITURE

It is important to note that during 2017 the Scheme's Relevant healthcare expenditure that consist of Net Claims, Risk Transfer Arrangements and Managed Healthcare Services, as a % of gross contributions decreased from 91.5% in 2016 to 86.8% in 2017.

In "laymen's terms" the Scheme paid direct benefits on behalf of members/beneficiaries totalling R1603,3 million (2016: R1605.3 million) and indirect benefits that consist of accredited managed healthcare services and risk transfer arrangements totalling R100.4 million (2016: R97.7 million).

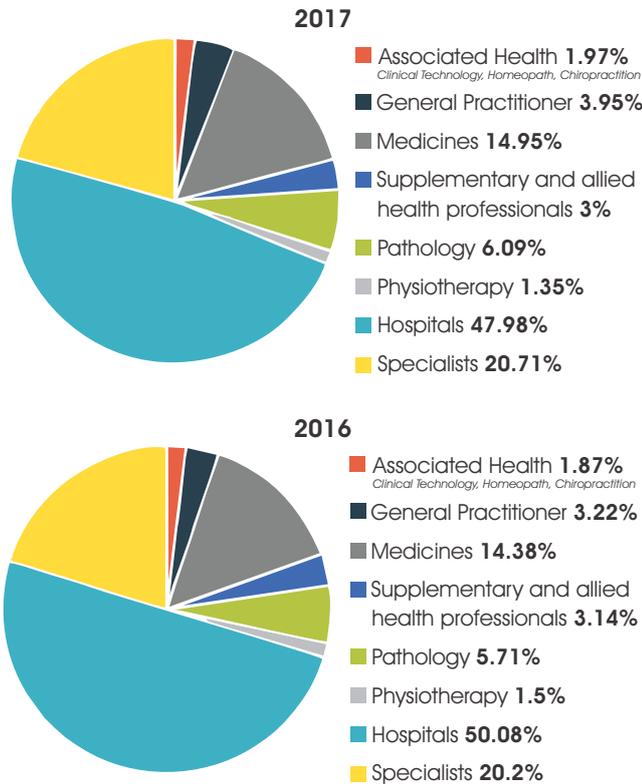
The implementation of Managed Care programs and the effective management of a High Risk Member Management program, resulted therein that the average relevant healthcare expenditure per beneficiary increased from 2016 with 3.0% (from 2015 to 2016 : 4,8%). This increase was less than the medical inflation of approximately 10% during 2017.

Figure 2 - Claims Ratio



The type of benefits utilized by members during 2017 and funded from the Risk pool is presented in Figure 3 below:

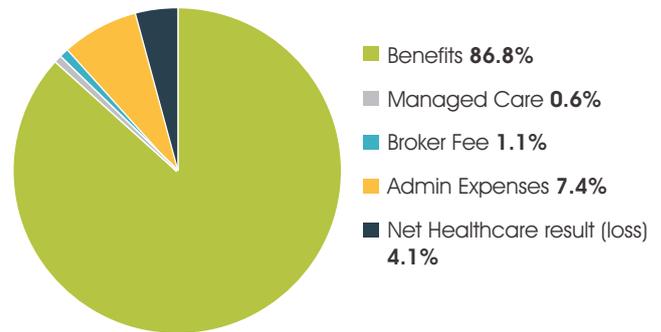
Figure 3 - Distribution of healthcare benefits paid from risk pool



DISTRIBUTION OF CONTRIBUTIONS

Contributions received by KeyHealth during 2017 was utilised as follows:

Figure 4 - Contribution Utilisation



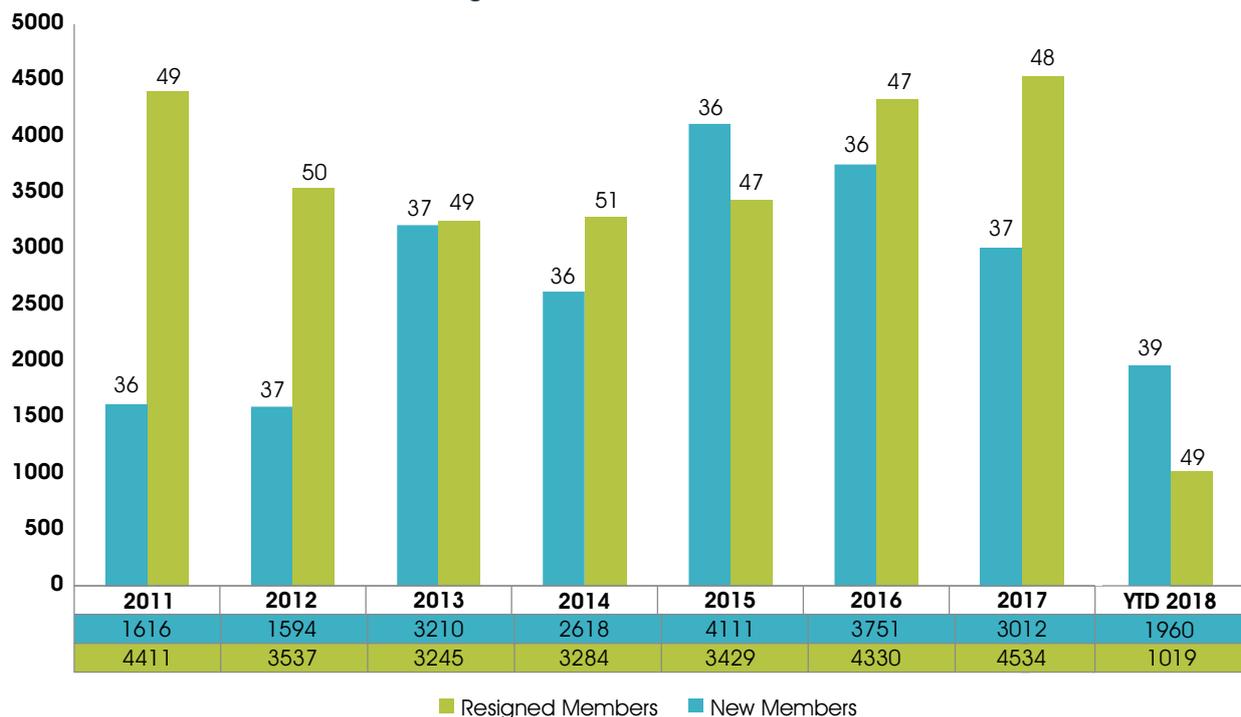
As can be seen from the graph each R 1 of members' contributions is spent as follows:

	2017	2016	2015
Benefits	R0.87	R0.91	R0.94
Non Healthcare	R0.09	R0.09	R0.09
Surplus (use reserves)	R0.04	R0	(R0.03)

MEMBERSHIP

The graph below illustrates a turnaround in member movement since 1 January 2017 with the average age of members joining KeyHealth being 37 years of age. It should also be noted that the average age of members resigning from the Scheme is 49 years.

Figure 5 - Member Movements



The current economic realities have put a lot of pressure on consumers and their spending. This has also negatively affected the medical scheme industry. Medical schemes have found it increasingly more difficult to grow with new members with KeyHealth not being exempted from this tendency.

KeyHealth has a very well established broker network that makes a significant contribution to the membership growth of the Scheme. However, the Scheme realised that there are many people in the private sector that do not make use of a broker and that it is important to firstly make these people aware of KeyHealth and its products and secondly to make it as easy as possible for them to join the Scheme. Therefore the focus during this period was to expose as many people as possible to the Scheme's brand in order to generate interest in the Scheme and to convert this interest into actual new members.

Figure 6 - Age Profile of Members

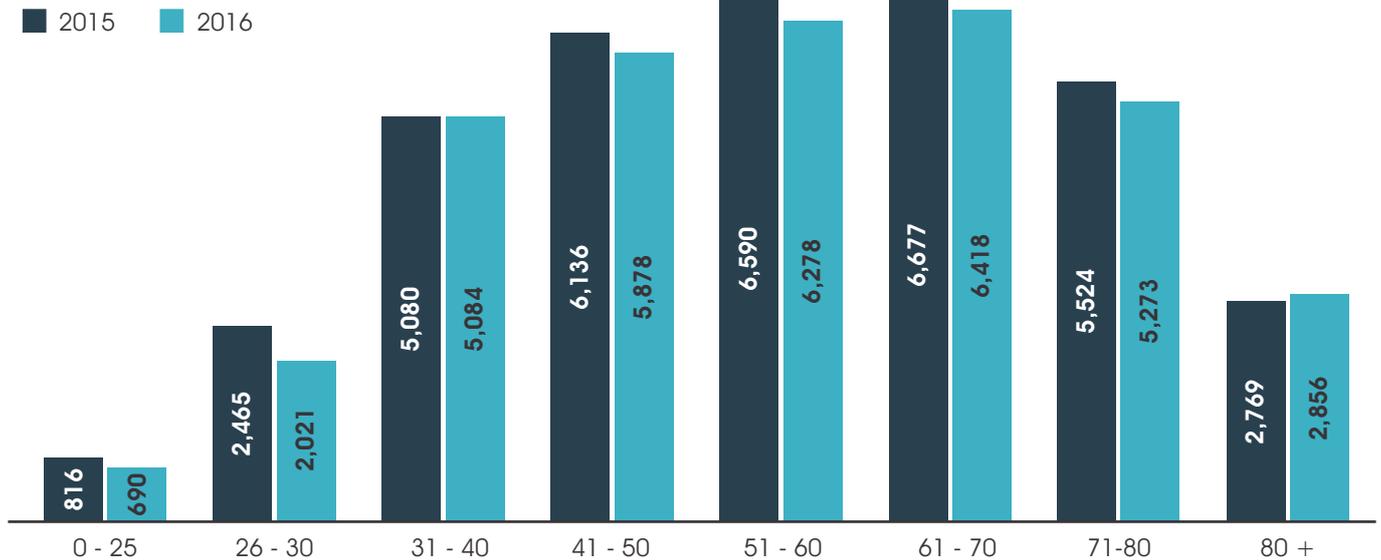
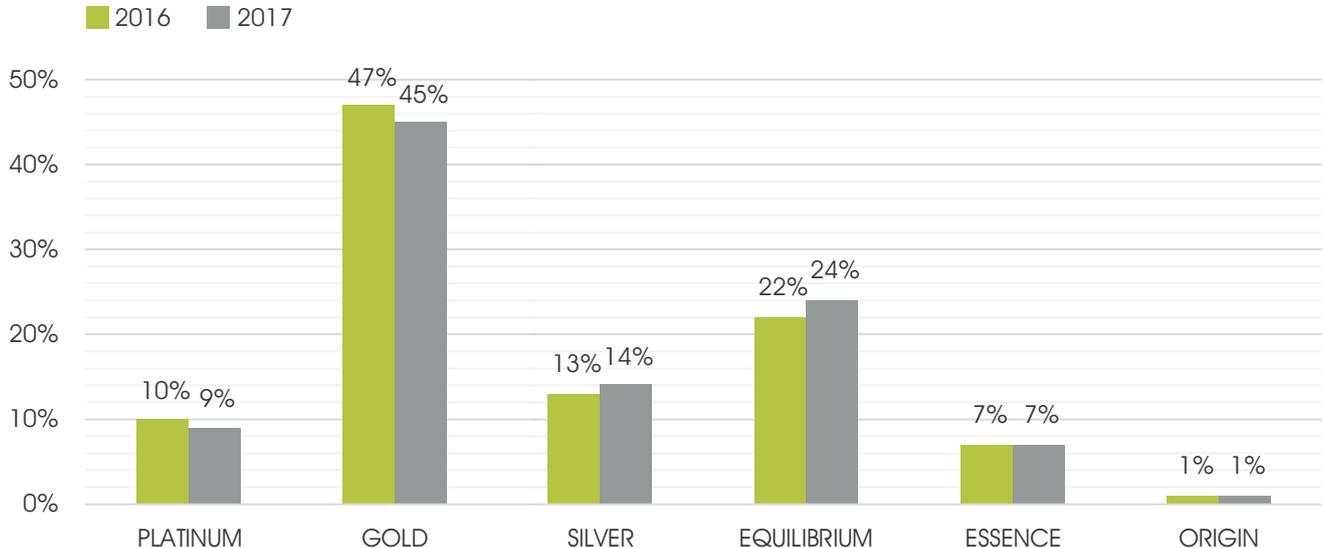


Figure 7 - Distribution of Members per Option



MARKETING

The marketing of the Scheme remains an important focus area. The marketing strategy for 2017 had two clear objectives. The first objective was to support the Scheme's strategic objective of growing the membership base. To achieve this goal, the Scheme considered ways to complement the existing broker distribution network. This led to the establishment of an in-house direct sales channel. The purpose of this channel was to target potential new members specifically in the private market sector. An increased emphasis was therefore placed on campaigns to generate leads for this channel.

The second marketing objective for 2017 was to continue to enhance the Scheme's brand in the market place. The medical scheme industry is extremely competitive and therefore it is important that the KeyHealth brand remains visible in the market and that more and more people are exposed to it. To achieve this goal, the Scheme was involved in various sponsorship activities and other events, e.g. sponsorship of the Bulls and North West University Varsity Cup rugby teams, the Warrior Race, the Nevarest Team of athletes, various night trail running events and the hosting of wellness days at employer groups.

In order to achieve the abovementioned two marketing objectives, the Scheme decided to adopt a multi-channel approach.

The following marketing channels were therefore utilised during 2017:

- Television and Radio
- Print advertising
- Digital platforms which include website and search engine optimisation
- Public relations
- Sponsorships and events
- Mobile marketing
- Social media

FRAUD, WASTE AND ABUSE.

In the CMS newsletter 1 published in June 2018, various shareholders views on this topic were included. The estimates of fraud prevalence are anywhere between 5 – 15%, and even as high as 20%, of the total healthcare expenditure. Every year, this R160-billion industry is cheated out of billions of rands, which results in higher contributions and co-payments for members.

KeyHealth Medical Scheme seriously addresses possible fraud issues, by taking pro-active steps.

- New and current members are informed about fraud in the Member Guide and contact numbers are provided where fraud can be reported:
Toll free line : 0860 110 820
Email : fraud@keyhealthmedical.co.za
- Members are requested to verify the validity of each claim processed with the email notifications send the same day that the claim is processed
- Data analysis of different disciplines within the medical industry are run, to identify any anomalies or possible trends
- The operational system is loaded with "warnings" during the assessment of submitted claims.

The Scheme has established a culture of zero tolerance towards fraud. Fraud and waste are defined as intentional deception or misrepresentation, misreporting data to increase payments, paying kickbacks to providers for referring patients for services or to entities, or stealing providers' or patients' identities.

Collaboration between members and service providers, may lead to your membership being terminated. Waste and abuse can be just as harmful, impacting on your benefits. Abuse takes place when medical practitioners charge for unnecessary costs or claims for services not medically necessary. Members are urged to engage with service providers and ask questions regarding excessive high costs.

The Scheme wants to thank our members for being vigilant and reporting possible fraudulent incidents.

This is YOUR Scheme, please protect the Scheme from fraudsters.

APPRECIATION

Our Administrator, PPS Healthcare Administrators, previously known as Professional Medical Scheme Administrators (PPMSA) have done us proud and have restored top class service to our members. To Dr Herc Hoffman and Ms Simmi Bassudev and their dedicated team of managers and staff a very special word of thanks.

Our members appreciate your efforts.

To all of our dedicated service providers, KeyHealth would not have been as successful without your contribution.

The finances of the Scheme are in good order thanks to the efforts of our Head of Finance, Mr Arni van Rensburg and his dedicated and capable team. Thank you for a great effort.

Our Marketing Department under the leadership of Mr. Morne Louw has done great work and continues to do so. Members need to know that their Scheme is on the go and good marketing and advertising make this possible.

To Ms Brenda van Wyk the Head of our Distribution Services and her team, who look after our Broker Network and employer groups, a special word of thanks. We couldn't have done it without you.

To our CEO, Mr Barry Kruger, well done and thank you for creating and maintaining an environment conducive to meeting all challenges. Without your dedication, passion and loyalty to the Scheme, staff and Trustees, we would not have achieved the goals set.

To all Trustees, thank you for the trust and confidence that you have invested in me as Chairman of the Board of Trustees. Your commitment to your fiduciary duties as Trustee, to our scheme and its members are reflected in the Financial Statements of KeyHealth and the content of this review. Thank you for making a difference and the legacy that you leave.

It has been a privilege to be Chairperson of KeyHealth over the last couple of years.

In closing I would like to express my special thanks to all who have been involved in the success of KeyHealth specially to those members who have availed themselves to participate in the 2018 Trustee elections. It is a great Scheme with strong principles, excellent people and a robust strategy that will ensure continued growth.

Most important are you our members. Thank you for your loyalty and for managing your medical aid needs responsibly. This does not go unnoticed.

Ladies and gentlemen thank you.



KEYHEALTH MEDICAL SCHEME

EXTRACTS FROM THE ANNUAL REPORT

for the year ended 31 December 2017

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DESCRIPTION OF THE MEDICAL SCHEME

Terms of registration

KeyHealth Medical Scheme (the Scheme) is a not-for-profit open medical scheme registered in terms of the Medical Schemes Act, 131 of 1998 as amended. Registration number 1087.

Benefit options within KeyHealth Medical Scheme

The Scheme offered six benefit options for the financial year under review. The options are:

- Platinum
- Gold
- Silver
- Equilibrium
- Essence
- Origin

Savings plan

In order to provide a facility for members to set funds aside to meet future healthcare costs not covered in a benefit option, the Trustees have made savings plan options available to meet this objective.

Members belonging to the Gold and Equilibrium options pay an agreed sum of 10% and 7% of their gross contributions respectively into a savings account so as to help pay for the member's portion of healthcare costs up to a prescribed threshold. The liability to the members in respect of the savings plan is reflected as a financial liability in the financial statements, repayable in terms of Regulation 10 of the Medical Schemes Act, 131 of 1998 as amended.

In terms of the rules of the Medical Scheme, any advances on savings contributions are funded from the Scheme's funds, and the risk of impairment is carried by the Scheme.

Savings balances are refunded when a member leaves the Scheme or transfers to another benefit option within the Scheme which does not have a savings option. The money will be transferred to the member after five months of date of the resignation/change.

Unexpended savings amounts are accumulated for the long-term benefit of the member. Savings funds are invested in a separate call and current account with ABSA bank. Interest generated on the funds in the call and current accounts is allocated net of investment costs, to positive savings balances. Interest is calculated monthly on the respective member's positive balances, and is reflected on the monthly statements.

Risk transfer arrangements

	2017 R'000	2016 R'000
Premiums/fee paid	76,400	74,390
Denis	62,313	61,454
Netcare 911	8,413	8,099
Primecure	5,674	4,837
Claims recovered in respect of risk transfer arrangements	(73,141)	(69,876)
Denis	(56,768)	(55,174)
Netcare 911	(10,684)	(11,147)
Primecure	(5,689)	(3,555)
Loss/(Profit) share on risk transfer arrangements	(59)	25
Denis	290	92
Netcare 911	-	334
Primecure	(349)	(401)
	<u>3,200</u>	<u>4,539</u>

In addition to the dental (Denis) and emergency transport services (Netcare 911); capitation agreements that provide benefits to members on benefit options other than Origin. The Scheme has a third capitation agreement with Primecure providing a full capitation service which includes doctors, hospitals, specialists and medicines on the Origin benefit option. The capitation agreements are in substance, the same as non-proportional commercial reinsurance contracts.

MANAGEMENT

Board of Trustees in office during the year under review and to the date of this report

JH Greyling (Chairperson)
 PJS Gouws (Vice Chairperson)
 DPJ Kruger
 Adv. EW Vermaak
 AD Young
 P Bennett
 JP Deetlefs
 OJH Mulder
 JH Grobbelaar
 EP Sharman
 Prof. SG Bouillon

All of the above Trustees were elected on 29 August 2014 for a four year period in terms of the Rules of the Scheme.

The Board convened twelve times, inclusive of strategic sessions, during 2017 (2016 : eleven times).

Principal Officer

BJ Kruger
 KeyHealth Building
 86 Koranna Avenue
 Doringkloof
 Centurion
 0157

PO Box 14145
 Lyttelton
 0140

Tel: (012) 667 2250
 Fax: (012) 667 2301

Registered office address and postal address

KeyHealth Building
 86 Koranna Avenue
 Doringkloof
 Centurion
 0157

PO Box 14145
 Lyttelton
 0140

Medical Scheme Administrator

PPS Healthcare Administrators (Pty) Ltd

PPS Centurion Square
 1262 Heuwel Avenue
 c/o Heuwel and Gordon Hood Roads
 Centurion
 0157

Private Bag X1031
 Lyttelton
 0140

Accreditation number: Admin 37

The Scheme applies a model whereby certain primary management functions are incorporated within the Scheme under the direct control of the Board of Trustees.

The functions include:

- Financial accounting and reporting;
- Independent internal audit department within the Scheme;
- New business;
- Broker commission administration and calculation;
- Marketing;
- Underwriting; and
- Distribution.

The core administration functions are outsourced to a third party administrator.



MANAGEMENT (continued)

Scheme Investment Consultant

IFG Africa Public Sector (Pty) Ltd
47 Dely Road
Hazelwood
0081

Registration no: 2000/025174/07
FSB No. 10899

Scheme Actuary

NMG Consultants and Actuaries
Belvedere Office Park
Block 13
Pasita Street
Bellville

External auditor

Deloitte & Touche
Deloitte Place, The Woodlands,
Building 8,
20 Woodlands Drive
Woodmead
2052

Audit Committee Members

BG Fourie (Chairperson)
A van den Berg (Deputy Chairperson)
JH Wagener
JH Grobbelaar
P Bennet

Independent member
Independent member
Independent member
Trustee
Trustee

INVESTMENT STRATEGY OF THE SCHEME

The Scheme's investment objectives are to maximise the return on its investments on a long term basis at appropriate risk. The investment strategy takes into consideration both risk mitigation factors imposed by legislation and those imposed by the Board of Trustees.

The mandate of the Board is to ensure that:

- The Scheme remains liquid;
- Investments are placed at minimum risk and the best possible rate of return;
- Investments made are in compliance with the Regulations of the Act supported by a declaration by the investment consultant; and
- A risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified.

The Scheme invested in cash instruments, an equity-linked note, an inward listed warrant, shares, insurance policies and collective investment schemes during 2017. This investment policy is reviewed annually, taking into consideration compliance with the Act, the risk and returns of the various investment instruments and the surplus of funds available. The Scheme's activities expose it to a variety of financial risks, including the effects of changes in the equity market prices and interest rates. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments, which the Scheme holds to meet its obligation to its members.

The Scheme makes use of an investment consultant. The advisor's primary mandate is to comply with prevailing legislative constraints and to ensure value retention while still ensuring growth.

The Board's investment strategy with regards to savings funds is to invest such funds in a cash instrument to limit the risks to interest rate risk and to ensure that the Member's funds are readily available.



OPERATIONAL STATISTICS PER BENEFIT OPTION

2017	Platinum	Gold	Silver	Equilibrium	Essence	Origin	Scheme
a. Number of members at the end of the accounting period	3,230	15,661	4,645	8,333	2,242	387	34,498
b. Average number of members for the accounting period	3,327	15,991	4,714	8,378	2,306	387	35,102
c. Number of beneficiaries at the end of the accounting period	4,722	31,071	11,351	19,194	4,898	699	71,935
d. Average number of beneficiaries for the accounting period	4,895	31,961	11,510	19,154	5,130	687	73,336
e. Dependant ratio at year end	0.46	0.98	1.44	1.30	1.18	0.81	1.09
f. Average net contribution per member per month	8,570	5,455	4,475	2,544	2,115	1,388	4,660
g. Average net contribution per beneficiary per month	5,824	2,729	1,833	1,113	951	781	2,230
h. Relevant healthcare expenditure as a percentage of gross contribution	91%	81%	80%	68%	87%	83%	81%
i. Relevant non-healthcare expenditure as a percentage of gross contribution	7%	8%	9%	12%	14%	13%	9%
j. Return on investments as a percentage of investments	10%	10%	10%	10%	10%	10%	10%
k. Relevant healthcare expenditure per average beneficiary per month	5,287	2,469	1,466	817	826	646	1,936
l. Non-healthcare expenditure per average beneficiary per month	389	235	169	145	134	98	203
m. Average age per beneficiary	63	51	39	29	35	30	43
n. Pensioners ratio	60%	32%	17%	6%	11%	1%	23%
o. Chronic profile	70%	49%	32%	13%	16%	0%	37%

SOLVENCY

	2017 R'000	2016 R'000
Total Members' Funds and reserves per the statement of financial position	805,694	647,810
Less:		
Cumulative net gains on re-measurement to fair value of financial instruments and investment properties included in the accumulated funds and revaluation reserve	(67,175)	(31,102)
Accumulated funds per Regulation 29 of the Medical Schemes Act, 131 of 1998 as amended	<u>738,519</u>	<u>616,708</u>
Gross contributions	2,098,605	1,990,271
Accumulated funds ratio	35.2%	31.0%

KEYHEALTH MEDICAL SCHEME
STATEMENT OF FINANCIAL POSITION
at 31 December 2017

	2017 R'000	2016 R'000
ASSETS		
Non-current assets	712,078	641,575
Property, plant and equipment	19,982	19,486
Available-for-sale financial assets	692,096	548,745
Financial assets at fair value through profit or loss	-	73,344
Current assets	361,513	291,809
Trade and other receivables	111,637	119,483
Cash and cash equivalents	249,876	172,326
Total assets	<u>1,073,591</u>	<u>933,384</u>
FUNDS, RESERVES AND LIABILITIES		
Accumulated funds	738,519	620,055
Revaluation reserve	67,175	27,755
Non-current liabilities	2,688	3,204
Post employment medical benefits	2,688	3,204
Current liabilities	265,209	282,370
Savings plan liability	70,088	66,801
Trade and other payables	115,585	153,389
Outstanding claims provision	79,536	62,180
Total funds and liabilities	<u>1,073,591</u>	<u>933,384</u>

KEYHEALTH MEDICAL SCHEME
STATEMENT OF COMPREHENSIVE INCOME
for year ended 31 December 2017

	2017 R'000	2016 R'000
Risk contribution income	1,962,726	1,862,392
Relevant healthcare expenditure	(1,703,713)	(1,703,105)
Net claims incurred	(1,676,429)	(1,675,260)
Claims incurred	(1,681,867)	(1,680,360)
Third party recovery	5,438	5,100
Accredited managed healthcare services (no transfer of risk)	(24,084)	(23,306)
Net expense on risk transfer arrangements	(3,200)	(4,539)
Risk transfer arrangement fees	(76,400)	(74,390)
Recoveries from risk transfer arrangements	73,141	69,876
Profit/(deficit) sharing arising from risk transfer arrangements	59	(25)
Gross healthcare result	259,013	159,287
Administration expenditure: Benefit management services (not accredited managed care)	(10,507)	(10,968)
Broker service fees	(21,316)	(20,083)
Administration expenditure	(145,359)	(135,072)
Net impairment loss on healthcare receivables	(1,475)	(2,320)
Net healthcare results	80,356	(9,156)
Investment income	26,662	18,301
Other income	121	24
Asset management fees	(3,145)	(2,856)
Net fair value gains on financial assets	18,910	1,935
Interest paid on savings account balances	(4,439)	(3,924)
Net profit for the year	118,465	4,324
Other comprehensive income/(loss)	39,419	30,179
Land and buildings revaluation	673	835
Fair value adjustment on available-for-sale investments	38,746	29,344
Total comprehensive income/(loss) for the year	<u>157,884</u>	<u>34,503</u>

KEYHEALTH MEDICAL SCHEME STATEMENT OF CHANGES IN FUNDS AND RESERVES

for the year ended 31 December 2017

	Accumulated Funds	Market to Market Reserve	Revaluation reserve: Buildings	Total funds and reserves
	R'000	R'000	R'000	R'000
Balance as at 31 December 2015	615,730	(6,436)	4,013	613,307
Fair value movement on available-for-sale	-	29,344	-	29,344
Revaluation on land and building	-	-	835	835
Net profit for the year	4,324	-	-	4,324
Balance as at 31 December 2016	620,054	22,908	4,848	647,810
Fair value movement on available-for-sale	-	38,746	-	38,746
Revaluation on land and building	-	-	673	673
Net profit for the year	118,465	-	-	118,465
Balance as at 31 December 2017	738,519	61,654	5,521	805,694

KEYHEALTH MEDICAL SCHEME SUMMARY OF INVESTMENTS HELD

at 31 December 2017

To understand the risks associated with these investments better, the following disclosure is presented under each category.

Financial assets held at fair value through profit or loss

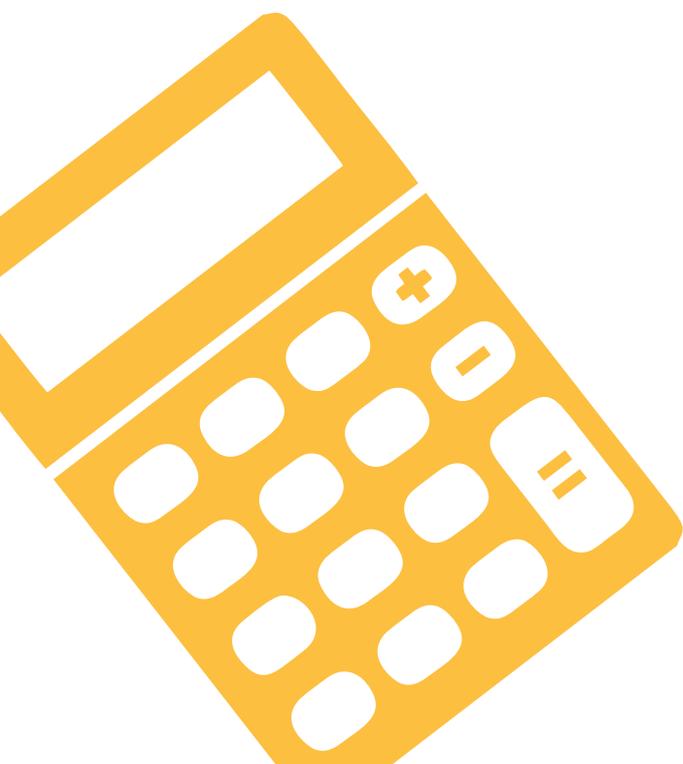
Financial assets held at fair value through profit or loss are made up of the following:

	2017 R'000	2016 R'000
Investec Swix - Equity linked note	-	37,892
BNP Paribas - inward listed warrant	-	35,452
Total	-	73,344

Available for sale financial assets

Available for sale financial assets are made up of the following:

	2017 R'000	2016 R'000
Prudential - Insurance contract	116,677	141,672
Coronation - Insurance contract	102,814	125,015
PSG Wealth - Share portfolio	74,420	48,076
Stanlib - Property collective investment scheme	10,823	3,576
Stanlib - Medical collective investment scheme	71,404	120,964
Stanlib - Income collective investment scheme	36,011	-
Stanlib - Aggressive income collective investment scheme	20,719	-
Sanlam - Absolute return insurance contract	107,825	102,540
Investec High Income Fund - Collective investment scheme	72,949	6,902
Investec Bond	52,307	-
Investec Bond	26,147	-
	692,096	548,745



KEYHEALTH MEDICAL SCHEME

SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION

for year ended 31 December 2017

	PLATINUM	GOLD	SILVER	EQUILIBRIUM	ESSENCE	ORIGIN	TOTAL SCHEME
2017	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Risk contributions	342,137	1,162,933	253,157	275,410	58,530	6,438	2,098,605
Less: Savings	-	(116,191)	-	(19,688)	-	-	(135,879)
Risk contribution income	342,137	1,046,742	253,157	255,722	58,530	6,438	1,962,726
Net claims incurred	(306,932)	(932,823)	(198,926)	(182,231)	(49,828)	(5,690)	(1,676,430)
Gross claims paid and reported	(295,286)	(1,001,288)	(190,087)	(194,288)	(47,182)	(4,700)	(1,732,831)
Less: Savings plan claims paid	-	112,585	-	20,150	-	-	132,735
Less: Discounts received on claims	469	2,180	344	732	79	-	3,804
Increase in outstanding claims provision	(12,115)	(46,300)	(9,183)	(8,825)	(2,725)	(990)	(80,138)
Accredited managed healthcare services (no transfer of risk)	(3,558)	(12,926)	(3,065)	(3,675)	(860)	-	(24,084)
Risk transfer arrangements	(94)	(1,029)	(427)	(1,835)	(179)	364	(3,200)
Risk Transfer fees paid	(8,367)	(39,368)	(9,172)	(13,260)	(559)	(5,674)	(76,400)
Recoveries from Risk Transfer Arrangements	8,311	38,510	8,782	11,469	380	5,689	73,141
(Loss)/Profit Sharing	(38)	(171)	(37)	(44)	-	349	59
Relevant healthcare result	31,553	99,964	50,739	67,981	7,663	1,112	259,013
Less: Administration expenditure	(19,041)	(76,009)	(18,366)	(24,922)	(6,415)	(607)	(145,360)
Less: Benefit management services (not accredited managed care)*	(1,016)	(4,881)	(1,439)	(2,558)	(613)	-	(10,507)
Less: Broker service fee	(2,727)	(8,634)	(3,414)	(5,275)	(1,070)	(196)	(21,316)
Less: Impairment loss on healthcare receivables	(69)	(593)	(187)	(479)	(144)	(2)	(1,474)
Net Healthcare results	8,699	9,848	27,333	34,747	(578)	308	80,356
Investment income	2,100	14,337	2,986	5,539	1,455	246	26,663
Savings interest paid	-	(4,227)	-	(212)	-	-	(4,439)
Other Income	10	53	16	31	8	1	120
Asset management fees	(298)	(1,432)	(422)	(751)	(207)	(35)	(3,145)
Net realised and unrealised gains on financial assets	1,791	8,603	2,538	4,531	1,239	208	18,910
Net surplus/(deficit)	12,302	27,182	32,451	43,885	1,917	728	118,465
Number of members at end of period	3,230	15,661	4,645	8,333	2,242	387	34,498

Basis of allocation:

- All relevant healthcare income and expenses, including Administration expenses, Broker commission and Managed care services, are directly allocated to benefit options based on actual amounts as well as impairment on receivables and other income.
- All remaining items are apportioned based on the number of members in each option

NON-COMPLIANCE WITH MEDICAL SCHEMES ACT

Contributions received three days after payment becomes due

Section 26(7), of the Medical Schemes Act, stipulates the following:

"All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due."

Contributions of members belonging to certain employer groups will only be suspended once the contributions received are allocated to the specific member records. It is also the policy of some of these groups to only pay their contributions on the 7th of the month, following the month that payment is due. Provision 13.2.1 of the Scheme Rules requires that these members should only be suspended after 30 days of the contributions becoming due.

The majority of the Scheme's employer group business is with Local Authorities. The SALGBC (South African Local Government Bargaining Council) resolved that contributions for employees in Local Government be paid in arrears and confirmed this by including it as part of the accreditation requirement for participating Medical Schemes. This decision and the tendency to pay contributions only by the 7th of a month resulted in a major portion of the Scheme's monthly contributions, from the various Local Authorities, being received outside the time limit as set out in the Act.

Processes are in place to ensure that these groups are monitored closely, so as to minimise any potential financial losses to the Scheme.

Benefit payments within 30 days

In terms of Sections 59(2) relating to the payment within 30 days of a benefit to be paid to a member or supplier of service, read together with Regulations 6(1), 6(2), 6(3) and 6(4) relating to the manner of payment of benefits.



GOVERNANCE

REMUNERATION POLICY OF THE BOARD OF TRUSTEES OF KEYHEALTH

The Board would like to recommend as follows to the annual general meeting-

RECOMMENDATION:

That an annual inflationary increase of 6% on the Trustee Remuneration structure be implemented.

APPOINTMENT OF AUDITORS

The Board would like to recommend as follows to the annual general meeting-

RECOMMENDATION:

That Deloitte & Touche be re-appointed as the external auditors for the 2018 financial year, in accordance with legislation.

ANNOUNCEMENT OF NEWLY ELECTED TRUSTEES

The Electoral Officer Mr W Kruger will announce the names of the newly elected trustees at the meeting.

ACKNOWLEDGEMENTS

CLOSURE



PROXY FORM

For the KeyHealth 11th Annual General Meeting

I, _____, KeyHealth membership no. _____, being a current and fully-paid principal member of KeyHealth hereby appoints _____, KeyHealth membership no. _____ or failing whom the Chairperson of the Board, as my proxy to attend, and speak, and vote on my behalf only in accordance with the directions indicated below at the 11th Annual General Meeting of KeyHealth to be held at the Golden Pipit Conference Venue, End Street 241, Centurion on 17 August 2018 at 11:00.

Please insert an X to indicate direction to proxy -

		In favour of	Against	Abstain
1.	Adoption of the minutes of the 10 th Annual General Meeting of members held on 18 August 2017			
2.	Extracts from the Annual Financial statements for the year ended 31 December 2017			
3.	Remuneration Policy of the Board of Trustees of KeyHealth			
4.	Re-appointment of Auditors for the 2018 financial year			

Signed at _____ on this _____ day of _____ 2018.

SIGNATURE OF MEMBER _____

SIGNATURE OF PROXY HOLDER _____

Important notes:

- i) A Member is entitled to submit one proxy form only.
- ii) Only one "X" for each of the above resolutions will be acceptable.
- iii) If any of the above is not marked with an "X" it will be deemed as no vote having been cast for that resolution.
- iv) By giving a proxy a member assigns his /her rights to attend, speak and vote as indicated, to the Member appointed as the proxy holder.
- v) The Member giving proxy may, in writing revoke it at any time before the commencement of the AGM.
- vi) Proxy holders must attend the AGM in person (refer to Rule 28.1)
- vii) No proxy forms will be accepted at the Annual General Meeting on 17 August 2018.
- viii) All proxies will be declared at the commencement of the meeting.
- ix) This proxy form must either be delivered by hand at the offices situated at 86 Koranna Avenue, Doringkloof, Centurion or e-mailed to proxies@keymed.co.za to **reach the Scheme before 12:00 on 13 August 2018**. Kindly note that incomplete forms will be deemed spoilt and disregarded as invalid.

KeyHealth
MEDICAL SCHEME