



# **Annual General Meeting Report for the Financial Year 2014/15**

**Your Premier Health Partner**



Medical Aid Fund

# Welcome to the Executive Lifestyle

Welcome to the Executive Lifestyle. We are pleased to introduce the Pula Medical Aid Fund Executive option to our growing bouquet of services with effect from 1 July 2015. Here is a snippet of some of the benefits you will get when you switch.



## P2 million comprehensive cover every year

The total cover for you and your family for all your medical needs.

## 100% cover for excess of P30,000

We must admit that medical costs can sometimes throw off your budgets, which is why we will cover 100% of your medical costs if they are more than P30,000.

You will just sign off the bill and we call it a day, allowing you to concentrate on the important business.

## P2 million International Travel Insurance

The insurance product covers the costs and reduces risks associated with unexpected events during international travel. We will also cover other costs associated with your medical expenses, hi-jacks, trip cancellations, lost luggage, unlawful detention and repatriation of mortal remains. Applying for your visa should be easier now.

## P1.3 million for hospitalisation

You can now rest assured that your hospitalisation cover will be more than sufficient to cover you and your family in case that unfortunate yet probable event occurs.

## 0% VAT

With us you will never have to pay for VAT. Consider it our pleasure to pay it on your behalf.

## 100% cover for Emergency Medical Services

Pula ensures that all members of its family have access to first aid and emergency services, those critical moments in life where minutes and seconds may be the difference between survival and an unfortunate demise. MRI Botswana will be available at no cost.

## P700,000 dread disease cover

This cover allows you a peace of mind, you will be covered for cancer, road accidents, organ transplants, heart diseases and others. Our cover is available every financial year.

## Medicines

Lifestyle diseases have been on the rise, you need a comprehensive cover that will guarantee you never run out of your chronic medicines. We have also ensured that rehabilitation for alcoholism and drug addiction are taken care of with a benefit of P30,000.

## Preventative Cover

We understand that prevention is better than cure. That is why we allow you to have an annual medical examination, pap smears, mammograms, HIV and other tests as determined from time to time.



What would medical aid be without access to the specialised treatment you will need, that is why we are contracted to over 95% of medical service providers in Botswana, and have long term relationships with major hospital groups in the region.

Terms & Conditions Apply. E&OE.

We will gladly come to your preferred meeting place to assist you.

Terms & Conditions Apply. E&OE.

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Medical Aid Fund  
*We care for your health!*

# NOTICE TO MEMBERS

## **PULA MEDICAL AID FUND NOTICE TO MEMBERS**

THE 2015 ANNUAL GENERAL MEETING (AGM) OF THE FUND WILL BE HELD ON 27 NOVEMBER 2015, AT AVANI HOTEL ( FORMER GABORONE SUN HOTEL), GABORONE AT 09:00AM.

# AGENDA

1. Notice convening the meeting
2. Apologies
3. Adoption of the Agenda
4. Chairman's Opening Remarks
5. Confirmation of the minutes of the previous Annual General Meeting held on 12 December 2014
6. Consideration and adoption of the Report of the Board of Trustees for the year ended 30 June 2015
7. Consideration and adoption of the audited Annual Financial Statements for the year ended 30 June 2015 and the report of the External Auditors
8. Appointment or Re-appointment of Trustees
9. Appointment or Re-Appointment of External Auditors for the ensuing year
10. Any other business
11. Closure

A member entitled to attend and vote may appoint a proxy to attend and vote for him on his behalf and such a proxy shall be a member of the Fund. The instrument appointing such a proxy must be deposited at the registered office of the Fund at Plot 61918, Fairgrounds Office Park, Gaborone not less than 24 hours before the meeting.

By Order of the Board of Trustees



Medical Aid Fund  
We care for your health!

# PROXY FORM

If you cannot attend the Annual General Meeting of the Pula Medical Aid Fund to be held on the 27 November 2015 at 09:00 am at Avani Hotel, Gaborone, and you are entitled to vote at the Annual General Meeting, you may appoint a proxy to vote on your behalf. This proxy only applies to the Annual General Meeting, and any adjournment of that meeting.

## A. YOUR DETAILS

FULL NAMES	
MEMBERSHIP NO.	
POSTAL ADDRESS	
EMAIL	

## B. WHO DO YOU WANT TO APPOINT AS YOUR PROXY

*I appoint as my proxy (tick one box only):*

☐

### Chairperson of the Annual General Meeting

If you appoint the Chairperson as your proxy, and direct the Chairperson on how to vote, the Chairperson must call a poll on that vote and must vote the way you direct.

OR

☐

### The following person

If you want to appoint someone else, give their details. If you do not provide a name, you will be taken to have appointed the Chairperson as your proxy.

FULL NAMES	
MEMBERSHIP NO.	
POSTAL ADDRESS	
EMAIL	

DATE: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

\* A proxy nomination shall only be given to a member of the Fund.

\* The duly completed Proxy Form must be deposited at the office of the Administrators of the Fund at the under mentioned address; not later than 24hrs before the time for holding the Annual General Meeting.

AFA House, Plot 61918, Showgrounds Office Park, P O Box 1212, Gaborone, Tel: 365 0500, Fax: 3951165

# P2 million International Travel Insurance from Pula Medical Aid Fund

A lot of people think that International Travel Insurance is only for those flying out to far away exotic destinations, that you have to go through hassles organizing it through a broker or an insurance agency, that it is complicated. On the contrary we would like to differ, because our definition of international travel merely means anywhere outside Botswana.

We think that you do not need the hassles or to apply for it every time you travel. For that we have provided it as an extension to your medical aid cover on Executive and Deluxe options and it will do more than that.

## P2 million Personal Liability

This benefit will help off-set settlements incurred for third-party injuries and any damages or losses to their personal property that you may have caused.

## P2 million Medical Expenses

Our cover provides for medical expenses, optical and follow up treatment in the country of residence. One of the biggest perks of our International Travel Insurance plan is the fact that it covers your health in the unfortunate case you fall ill or become injured while on your trip. The plan is designed to cover new illnesses or injuries, so while we most likely won't cover pre-existing conditions, we will cover the cost of a regular doctor visit or hospitalization.

## P40 000 Trip Cancellation

Just like it sounds, this benefit will help protect you against unforeseen events by reimbursing any non-refundable trip costs that you've already paid. Severe sickness, injury, flight cancellation due to severe weather, natural disasters, and traffic accidents on the way to your destination all typically qualify for a trip cancellation benefit.

## Hijack

With a rise in occurrences of hi-jacks of our citizens, we believe this may not be comforting however it will be welcome.

## Kidnap and Wrongful Detention

When traveling outside your country, language, culture and laws will differ from your own. You may find yourself in the wrong side of the law or in an unfortunate case be a target of a kidnapping with intention to seek a ransom or extortion. Our cover will provide P750 000 to assist you get out of that sticky situation.

## P210 000 Repatriation of Remains and Coffin Costs

While not the most pleasant thought, this benefit will cover the cost of transporting your remains back to your home country if you were to pass away on your trip. Repatriation coverage is one of the requirements for a visa application.

## P300 000 Emergency Medical Evacuation

When traveling to remote locations where adequate medical facilities are unavailable, this benefit will provide transportation to the nearest medical facility equipped to provide care for your situation.

Tsamaya Ka Pula gets a new meaning... Literally.

Terms & Conditions Apply. E&OE.

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**PULA MEDICAL AID FUND**  
**REPORT**  
**for the year ended 30 June 2015**





Mr Peter Stevenson, Chairman of PULA Board of Trustees

# CHAIRMAN'S FOREWORD

TO THE MEMBERS FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2015

## INTRODUCTION

I am pleased to report that despite the numerous challenges that PULA encountered in 2014/2015, characterised by an ever increasing disease burden and high medical inflation and a difficult economic environment adversely affecting most sectors of the economy, PULA has been able to focus strongly on its primary mandate of securing best possible value for its members in terms of benefits, service levels and quality of care.

## MEMBERSHIP

The Fund experienced a net principal membership increase of **0.8%** to **17 672** as at June 2015. This modest growth was achieved despite the difficulty in the economy and stiff competition from competitors. Total lives covered by PULA stood at **41 028**.

## FINANCIAL PERFORMANCE

Gross contribution income grew by **9.3%** to **P234.6m**. The increase was due in the main to the contribution increase of **5%** effected from 1 July 2014 as well as the small increase in membership. Claims grew by **16.6%** to **P194.2m**, driven by an increase in service tariffs, and increased utilisation of services by members. While the gross loss ratio of **82.8%** is currently no cause for concern, the Trustees are concerned that claims increases are greater than contribution increases and are not sustainable in the long term. After taking administration expenses of **P20.7m** into account, the operating surplus is **P13.5m** compared to an operating surplus last year of **P19.4m**. Investment income of **P3.4m** is greater than last year's by **142.25%** due to interest earned on short term bank deposits. A net surplus of **P16.9m** was recorded.



This is **18.1%** less than the **P20.7m** net surplus generated in the previous year. The difference is mainly attributable to higher than expected claims costs.

Total assets increased from **P61.4m** to **P78.7m**. The assets are made up of cash and cash equivalents of **P75m**, and trade and other receivables of **P3.7m**. The desired industry norm for Solvency is **25%**. Whereas PULA was technically insolvent in 2011 following the failed investment in Bokamoso Private Hospital, the Fund has been able to gradually grow its solvency margin from **-11%** in 2011 to **7%** (2013) and finally **23%** as at June 2015.

## **CUSTOMER & STAKEHOLDER SATISFACTION**

During the year the Fund concluded a Customer and Stakeholder Satisfaction Survey (CSSS), which culminated in a baseline Satisfaction Index of **71.3%**. This compares favourably with the average Satisfaction Index of open medical aid schemes in South Africa of **72.8%** (2013). Inputs from the CSSS are being used to inform product development and corporate strategies to improve the member's overall customer experience.

## **GOVERNANCE**

### **Regulatory Compliance**

According to the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) Act of 2006, Medical Aid Schemes/Funds are defined as insurers and therefore fall under the regulation and supervision of NBFIRA. NBFIRA is in the process of developing an enhanced regulatory framework for Medical Aid Schemes/Funds, and an announcement is expected before the end of 2015.

### **Appointment of the Principal Officer**

The Board of Trustees appointed the Principal Officer in November 2014, in-line with Fund Rules and anticipated legislative framework from the regulator, NBFIRA. The Principal Officer is responsible for improving the Fund's Governance, development and implementation of the Fund's corporate strategy, statutory compliance, stakeholder relationship management, providing oversight on third parties contracted to provide services to the Fund and management of the Fund's risk. The Principal Officer is a full-time employee of the Fund and is an ex-officio member of the Board and its Committees.

### **Composition of the Board and its Committees**

In accordance with the Deed of Trust and the Fund Rules (Rule 24) the Fund shall have a Board of Trustees constituted by not more than ten (10) Board of Trustees with at least five (5) members who shall be representatives of major employer groups contributing to the Fund and at least three (3) independent members with relevant qualifications and expertise.

For the period under review the Board was constituted as follows:

NAME	REPRESENTATION / MEMBERSHIP STATUS
Mr Peter Stevenson – Chairman	Independent
Mr Maleho Mothibatsela – Vice Chairman	Independent
Mr Batho Motubudi	Independent
Ms Kungo Mabogo	Independent
Mr Obakeng Moroka	Debswana Diamond Company
Mr Geoffrey Mahlaka	Botswana Ash
Ms Mukani Pelaelo	Botswana Unified Revenue Services (BURS)
Dr Bakani Thipe	Tati Nickel Mining Company
Ms Chandida Thembe	Civil Aviation Authority Botswana (CAAB)

## OTHER MATTERS

During the current financial year, the Fund has introduced the Executive Benefit Option which is inclusive of the Preventative Health Package and the Travel Insurance is also available to members of the Deluxe Option. The new option and enhancements to Deluxe were approved at the 2014 Annual General Meeting. The Fund will continue to consider more innovative products that would add value to its beneficiaries, attract new members and ensure the sustainability of the Fund.

## CONCLUSION

Despite the difficult economic environment, the Fund posted satisfactory financial and operational results. The Board will continue to find ways of ensuring that PULA members access the best quality healthcare at affordable prices. I would like to thank the Board of Trustees, Administrators and other PULA long term business partners for their continued commitment to helping PULA realise its mandate to the members

# BOARD OF TRUSTEES



**MR. PETER D. STEVENSON**

***Chairman***

Mr Peter D. Stevenson is the current Pula Medical Aid Fund Board of Trustees Chairman. He was appointed to the Board of Trustees prior to the year 2000.



**MR. MALEHO MOTHIBATSELA**

***Vice Chairman***

Mr Maleho Mothibatsela is the current Pula Medical Aid Fund Board of Trustees Vice Chairman, serving as an independent member since August 2011.



**MR. GEOFFREY MAHLAKA**

***Member***

Mr Geoffrey Mahlaka is a member of the Pula Medical Aid Fund Board of Trustees representing Botswana Ash (Pty) Ltd. He was appointed to the Board of Trustees in July 2013.



**MS. CHANDIDA THEMBE**

***Member***

Ms Chandida Thembe is a member of the Pula Medical Aid Fund Board of Trustees representing Civil Aviation Authority of Botswana (CAAB). She was appointed to the Board of Trustees in July 2013.



**MS. MUKANI PELAELO**

***Member***

Ms Mukani Pelaelo is a member of the Pula Medical Aid Fund Board of Trustees representing Botswana Unified Revenue Services (BURS). She was appointed to the Board of Trustees in June 2011.



**DR. BAKANI THIPE**

***Member***

Dr Bakani Thipe is a member of the Pula Medical Aid Fund Board of Trustees representing Tati Nickel Mining Company. He was appointed to the Board of Trustees in June 2011.



**MS. KUNGO MABOGO**

***Member***

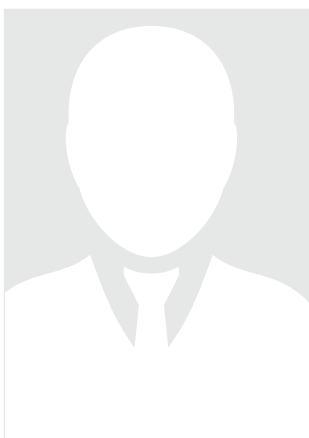
Ms Kungo Mabogo is a member of the Pula Medical Aid Fund Board of Trustees as an independent member. She was appointed to the Board of Trustees in August 2011.



**MR. BATHO MOTUBUDI**

***Member***

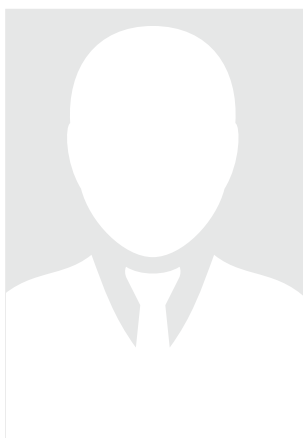
Mr Batho Motubudi is a member of the Pula Medical Aid Fund Board of Trustees, serving as an independent member since August 2007.



**MR. OBAKENG MOROKA**

***Member***

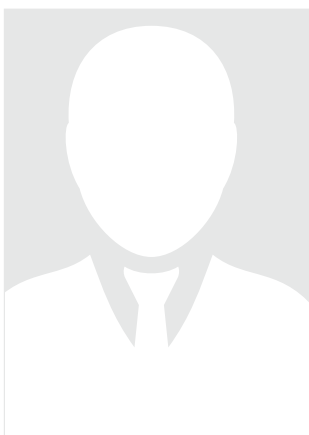
Mr Obakeng Moroka is a member of the Pula Medical Aid Fund Board of Trustees representing Debswana Diamond Company. He was appointed to the Board of Trustees in July 2013.



**MS. GRACE SIAMSANG**

***Alternate***

Ms Grace Siamasang is an alternate member to Ms Mukani Pelaelo representing Botswana Unified Revenue Services (BURS). She was appointed to the Board of Trustees in June 2011.



**MR. OTENG SEBONEGO**

***Alternate***

Mr Oteng Sebonego is an alternate member to Mr Batho Motubudi. He was appointed to the Board of Trustees in December 2011.

# PRINCIPAL OFFICER'S REPORT

TO THE MEMBERS FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2015

## INTRODUCTION

The Principal Officer is pleased to report on the performance of PULA Medical Aid Fund ("PULA" or the "Fund") for the financial year ended 30 June 2015. Overall, despite numerous challenges during the course of the year, some of which extend into the current financial year, PULA is in an increasingly healthy position. The financial performance of the Fund is covered extensively in the Audited Financial Statements, contained herein, while the operational performance of the Fund will be covered in the body of the PO's report. We remained focused in meeting our primary objective, which is to raise and manage the fund by contributions and return on investments, and thereby granting assistance to members in defraying expenditure incurred by members in connection with accessing healthcare services.

## DESCRIPTION OF THE FUND

PULA Medical Aid Fund Trust is a Fund established in May 1991. It is a Medical Aid Fund for Corporate Member employees, Individual Members who are continuing members after ceasing to be employees of Corporate groups, Pensioner Members as well as Widows/Widowers of deceased members who elect to remain members. For the year under review, PULA has 2 Benefit Options, namely Deluxe and Standard Options. The 2014 AGM has approved the introduction of the Executive Option, which will be introduced in the 2015/2016 financial year. As at June 2015, total lives covered under PULA stood at 41 028 beneficiaries.

## OPERATING ENVIRONMENT

The operating environment was characterized by economic hardships for corporate member groups and the Fund. Because of the over reliance of PULA on the mining sector for its membership, PULA growth plans were adversely affected as the mining sector hit hard times in the second half of the year. High Healthcare inflation and household indebtedness has resulted increased pressure on consumer disposable income. This and the hardships experienced by the mining sector led to high member terminations which eroded membership growth for the year under review.



**Dr Thato Moumakwa, Principal Officer**



## REGULATORY ENVIRONMENT

NBFIRA licenses and regulates Medical Aid Schemes/Funds. Reporting guidelines were previously circulated to PULA, however these have not been rigidly enforced because of challenges on the side of the Regulator. There are NO issues of regulatory non-compliance by PULA to report. The Regulator, however, is looking to fully enforce regulation on the Medical Aid Sector before end of 2015. PULA anticipates it will be in a position to fully comply in meeting regulatory requirements. Developments in this area are closely monitored by the Fund.

## CORPORATE GOVERNANCE

Corporate Governance remains a key focus of the Fund. While the Board of Trustees continues to provide effective oversight and leadership over all affairs of the Fund, it has appointed a Principal Officer to enhance the Governance Structures of the Fund, and receive delegation from the Board in running the day-to-day affairs of the Fund. Additionally, with the assistance of Deloitte, PULA has begun efforts to rollout Enterprise Risk Management. The year under review has also seen the increased use of Board Sub-Committees to assist and advice on the running of the Fund, by giving detailed attention to specific areas of the Board's responsibilities.

Such Sub-committees have in the year under review discharged responsibilities as follows:

### a) Risk & Compliance Committee

- Initiated the drafting of the Risk & Compliance Policy & Framework;
- Initiated the drafting of the Risk & Compliance Charter;
- Done PULA risk identification and formulation of the Risk Register.

### b) Tender Committee

- Review of the Procurement & Asset Disposal Policy;
- Review of the Contract Register;
- Compilation of the Procurement plan for 2015.

### c) Finance & Audit Committee

- Reviewed and recommended the budget for the year under review;
- Monitored budget performance through review of quarterly management accounts;
- Informally reviewed the performance of the finance function;
- Met with Auditors to review and approve Audit budget, scope and plan;
- Examined and reviewed the Fund's financial statements prior to and approval by the full Board;
- Recommended to the AGM, with the approval of the Board, the appointment of the external auditors for the next year.

### d) Investment Committee

- Commenced the process of drafting PULA's Investment Policy.



#### e) Remuneration Committee

- Through a task specific temporary committee, was instrumental in advising on matters of the recruitment and appointment of the PO.

### COMPETITIVE ENVIRONMENT

Fierce competition exists in the Medical Aid Industry in Botswana, with a continued proliferation of new schemes coming into the market, while growth of the number of insured members as a whole remains negligible. There are currently nine (9) Medical Aid Providers in Botswana, with a total of about **340 000** lives covered. PULA has consistently experienced organic membership growth for the past 5 years averaging about **3%** annually, except for the year under review when membership grew by only **0.8%**. The lower than expected net membership growth was a result of the poor performance of the mining sector, resulting in retrenchments at one of our member groups.

### PERFORMANCE HIGHLIGHTS OF THE FUND

INDICATORS	2013/2014	2014/2015	% CHANGE
Number of Principal Members	17, 540	17, 672	0.8
Number of Beneficiaries	40, 441	41, 028	1.45
Average Age (Beneficiaries)	26.64	26.90	0.98
Average Family Size	2.31	2.33	0.87
Contribution Income (CI)	BWP 214, 593, 910	BWP 234, 557, 881	9.30
Claims Ratio (Excl. IBNR)	77.6%	82.8%	6.70
NHCC Ratio	8.3%	8.8%	6.02
Solvency Ratio (Accumulated Fund Ratio)	17%	23%	35.29
Average Contribution Per Beneficiary Per Month	BWP 442.20	BWP 476.42	7.74
Average Claims Cost Per Beneficiary Per Month	BWP 343.19	BWP 394.39	14.9

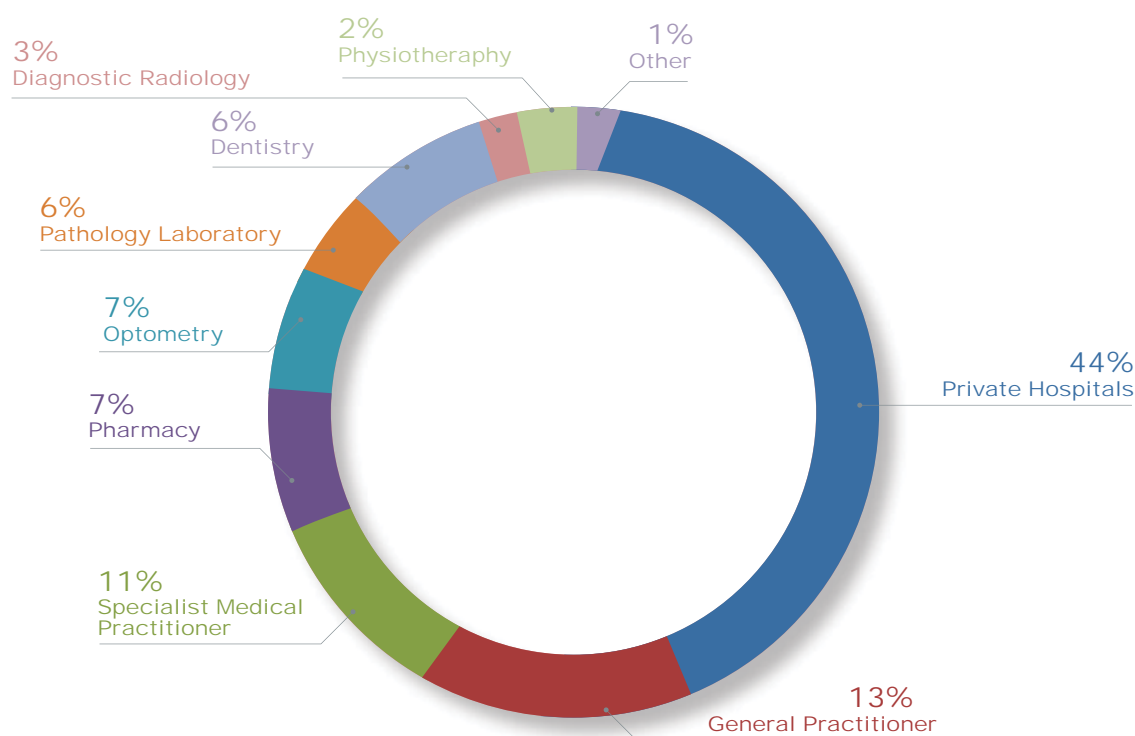
### FACILITATING ACCESS TO PRIVATE HEALTH CARE SERVICES

The Fund continued to facilitate access to private health care services for its members and their dependents; thus fulfilling its principal mandate and obligation to its principal stakeholders (specifically employer groups, members and their dependents).

During the year under review the Fund assisted **37 113** of its beneficiaries to access and pay for private healthcare services from service providers in Botswana and other countries. Some beneficiaries accessed services multiple times in the year under review. **25 176** visits to General Medical Practitioners (GP) services were facilitated, while **21 819** hospital services were facilitated, at an average rate of **2.3** and **2.9** visits per beneficiary per annum, respectively. The Fund paid on behalf of its beneficiaries **P85.2m** for hospital services during the year under review and when compared to the prior year this represented an increase of **14.8%**. Similarly, **P25.1m** was paid on behalf of Fund's beneficiaries to General Medical

Practitioners, **P13.4m** to Pharmacies; representing an increase of **13.6%** and **20.5%** respectively when compared to the prior year.

The Fund paid a total of **P194.2m** on behalf of its beneficiaries to all service providers who rendered services to its beneficiaries during the year under review. Of this amount, **P178.2m (91%)** was paid to local healthcare service providers, and thus the Fund has contributed significantly to the economy, employment creation and sustenance of same in Botswana. Of the **P194.2m** paid out by the fund to member claims, it was distributed as follows by Service / Facility Category.



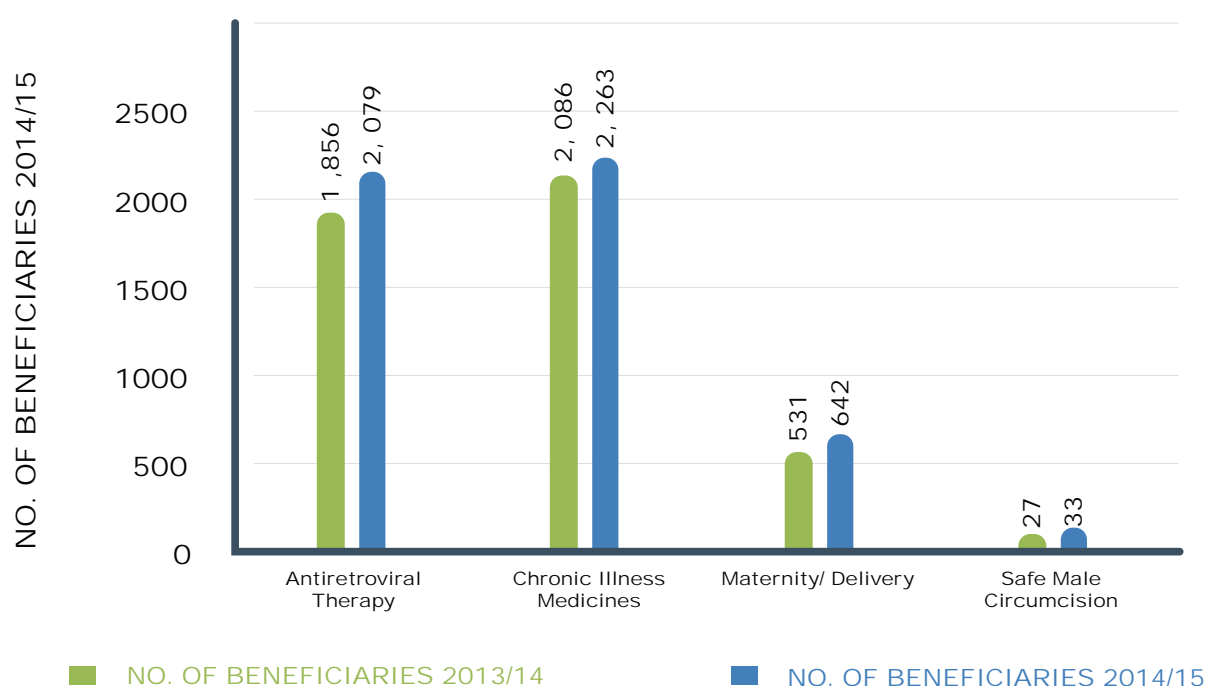
**Fig 1: Distribution of payments by category of Service Provider or Facility**

The order of the split of the HealthCare payout shows that Private Hospitals received **44%** of the payout, followed by General Medical Practitioners (GPs) at **13%**, then Specialists (**11%**). Pharmacy and Optometrists were equal at **7%**, while Pathology Labs and Dentistry were also tied at **6%**. This information is useful in guiding Health Risk Management decisions so as to get better value for beneficiaries through properly packaged and managed care programs.

PULA has several Managed Care programs: HIV/AIDS Disease Management Program (DMP); Pharmaceutical Benefit Management (PBM); Chronic Disease Benefit Management- which focuses on Non

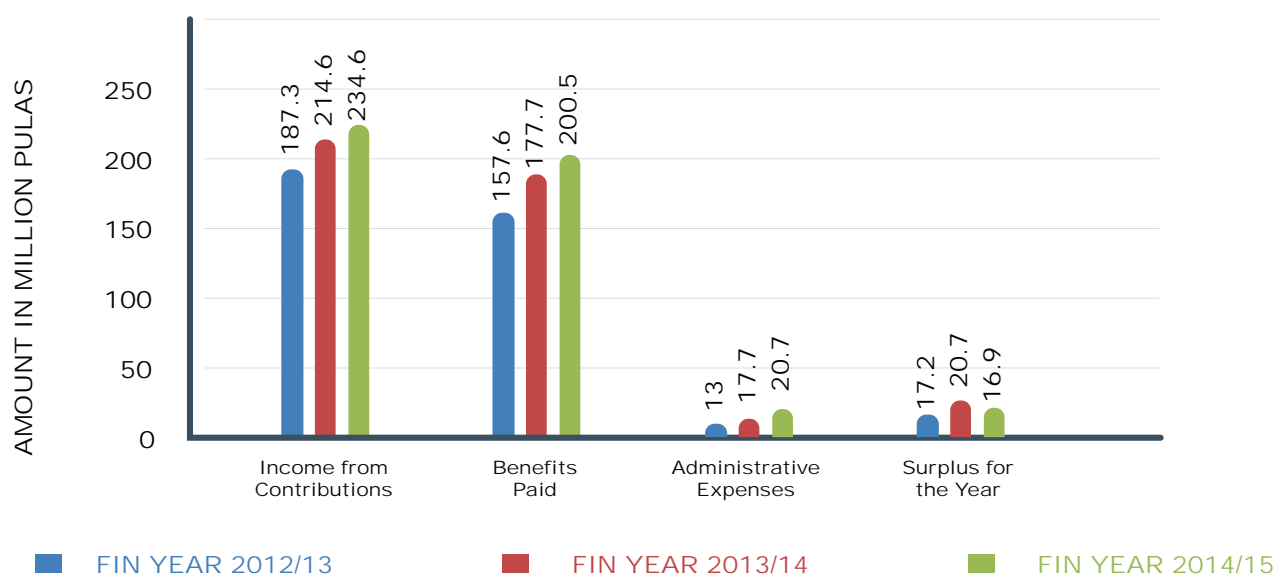
Communicable Diseases; and the Hospital Case Management Program. The Managed Care Provider for these programs is Associated Funds Administrator (AFA).

The bar graph below is an illustration of the number of beneficiaries who have accessed managed care through the various programs for the year under review. There is an increase by **12%** of beneficiaries accessing Antiretroviral Therapy, an increase of **8.5%** for Chronic Medicines, while Maternity/Delivery cases and Safe Male Circumcision cases increased by **21%** and **22%** respectively.



**Fig 2: Illustration of numbers of beneficiaries benefiting from Managed Care programs**

## FINANCIAL PERFORMANCE



**Fig 3: Overview of Financial Performance over three (3) years**

Fig 3 above shows that the Fund received gross contribution income of **P234.6m**, paid out claims of **P194.2m** and incurred administration expenses of **P20.7m** that resulted in a net surplus of **P16.9m**, after taking into account other income. While the year under review recorded a net surplus, it is worth noting with concern that the surplus recorded is less than that of either one of the two (2) previous years. **P3.4m** of the net surplus recorded is income from investments. Gross contribution income and claims paid grew by **9.3%** and **16.6%**, respectively. This represents a picture of costs growing disproportionately more than income growth, hence diminishing operating surplus. In addition to budgeted increases in contributions and service tariffs, increased benefit utilization by members explains the disproportionate growth in costs. Hence the claims loss ratio increased from **77.6%** to **82.8%**, excluding IBNR for financial year 2013/2014 vs 2014/2015 respectively. The solvency margin increased from **17%** to **23%** as at June 2015, whilst total assets increased from **P61.4m** to **P78.7m**.

### NON HEALTHCARE COSTS (NHCC)

NHCC are required to operate the Fund effectively. However, minimizing the escalation of NHCC is essential. In the year under review, NHCC costs increased from **P17.7m** to **P20.7m**, which represents an escalation of **18%**. NHCC cover Administration Fees, Managed Care Fees, Marketing & Sales Costs, Principal Officer Costs, Bank Charges, Audit fees, Actuarial fees and various other fees emanating from services provided.

Given that contribution income grew by **9.3%**, an increase in Administration expenses of **18%** is grossly disproportionate and every effort shall be made to manage Administration expenses down.

## **MANAGED CARE**

The value derived from Managed Care Programs can be questionable unless such interventions are properly structured in the context of a clearly defined framework and such closely monitored for effectiveness. An assessment of the Effectiveness of Managed Care Programs addresses issues of cost effectiveness, improved quality clinical outcomes and access to provider networks. PULA has initiated a process to formulate a Health Risk Management Framework which will work as a guideline to contracting Managed Care Providers and managing their performance.

## **OUTSTANDING CLAIMS (IBNR)**

IBNR is a provision made up of incurred but not reported claims as at the date of reporting, in this case its 30 June 2015. Movement in the IBNR provision is set out in the Audited Financial statements (Audit Findings, Clause 6.1: Note 1).

## **OUTSOURCING OF FUND ADMINISTRATION**

Administration Services for PULA are being provided by Associated Fund Administrators (AFA).

## **OUTSOURCING OF MANAGED CARE SERVICES**

Managed Care Services are being provided by Associated Fund Administrators and Verimed Africa (PTY) Ltd.

## **RISKS AND OPPORTUNITIES**

The private healthcare industry in Botswana is a much more attractive option for health service seeking PULA members, in relation to the option of seeking services in government facilities. The increasing cost of providing private healthcare is a major challenge for Medical Aid Funds/ Schemes. This is because of medical inflation which is consistently 3%+ higher than consumer inflation, an increasing burden of disease and hence more utilization, as well as an ageing membership population. These factors pose significant risks to the long term sustainability of the Fund, and warrant immediate and urgent attention from the Board and Fund Office. Optimization of Health Risk Management presents a significant opportunity to arrest the risks of increasing health costs for PULA. This shall become a focus for PULA in 2015/2016. Optimization of the Business Model of the Fund presents another opportunity to create value for stakeholders and enhance governance. This will be the subject of review as part of the Re-organization project to be carried out in the 2015/2016 financial year by the Fund office.

Product differentiation and affordability as well as service excellence are also key levers to the success and growth of the scheme. This area will continue to receive the attention of the Fund office. PULA continues to grow its reserves. With healthy reserves, a strong brand presence, affordable and yet relevant products, and service excellence, PULA can occupy its position in the market as the Premier Health Partner of choice.

## **OUTLOOK**

PULA's sustainability remains a key focus of the Fund office and the Board of Trustees. Therefore, effective management of all key indicators, financial and non-financial, that impact the Funds sustainability is imperative. This will be achieved through effective PULA business performance and risk management structures, and effective management of PULA Service Providers through strict Service Level Agreements. Despite various local challenges, chief amongst them being competition and the economic conditions, the Fund performed satisfactorily both financially and operationally in the year under review, and is poised to continue this trend going into the future.

## **APPRECIATION**

Looking at my first year as Principal Officer of PULA, I would like to thank the Board of Trustees for their guidance and support throughout the year, especially in ensuring that at the heart of all decisions made is the best interests of the Fund and its members.

I would also like to acknowledge and thank all advisors, intermediaries and contractors for their professional service and advice to PULA.



# MINUTES OF THE ANNUAL GENERAL MEETING

OF THE MEMBERS, HELD ON 12 DECEMBER 2014, AT 09:00, AT LANSMORE HOTEL, GABORONE

## 1. PRESENT:

### 1.1 Board of Trustees

P D Stevenson  
M Mothibatsela  
B Thipe  
G Mahlaka  
O Moroka  
C Thembe  
K Mabogo  
G Siamisang

### 1.2 General Membership

There were **96** members who attended in person and **71** by proxy. Out of a total of **72** proxies received, **1** was spoilt.

## 2. IN ATTENDANCE:

### 2.1. Administrators - AFA Botswana (Pty) Ltd

D Thela  
M Matome  
J Buno  
G Sibanda  
S Hlope  
L Keloneilwe  
K Pheko (Recording)

### 2.2. External Auditors

• PricewaterhouseCoopers (PwC):  
S Edirisinghe  
S Vithanage

**The meeting was called to order at 09:28.**

## 3. NOTICE AND CONSTITUTION OF THE MEETING

The notice of the meeting having been duly circulated was taken as read and approved, following a proposal by **Ms Van Niekerk**, seconded by **Mr M Ncoangae**. A quorum being present, the Chairman declared the meeting duly constituted.

#### **4. APOLOGIES FOR NON ATTENDANCE**

There were no apologies received.

#### **5. ADOPTION OF THE AGENDA**

The agenda was adopted as circulated following a proposal by **Ms Van Niekerk**, seconded by **Mr M Ncoangae**.

#### **6. CHAIRMAN'S OPENING REMARKS**

The Chairman welcomed all present to the meeting and thanked them for their attendance. He further introduced **Dr Thato Moumakwa** as the Principal Officer for Pula Medical Aid Fund.

#### **7. CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING (AGM) HELD ON 10 DECEMBER 2013**

The minutes of the AGM held on 10 December 2013 having been duly circulated were taken as read. Corrections were made to **Ms Van Niekerk's** surname to read as **Van Niekerk** and not **Van nie Kerk**. On a proposal by **Ms Van Niekerk**, seconded by **Mr N Mhlanga**, the minutes were adopted and approved as a true and correct record of the proceedings.

#### **8. MATTERS ARISING FROM THE MINUTES OF THE ANNUAL GENERAL MEETING (AGM) HELD ON 10 DECEMBER 2013**

There were no matters arising from the minutes of the meeting held on 10 December 2013.

#### **9. RECEIPT AND ADOPTION OF THE BOARD OF TRUSTEES REPORT TO THE MEMBERS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

The meeting was referred to the Report to the members for the year ended 30 June 2014, contained on page 10 of the 2013/2014 AGM Report. The Report had been circulated with the notice for the AGM, and was accordingly taken as read.

The Chairman asked the members if they had any comments or questions on the report. There being no comments or questions the report was noted and taken as read and adopted by the members.

**It was RESOLVED** that the Board of Trustees report to members for the year ended 30 June 2014 be and is hereby adopted on proposal by **Ms A Lumingu** and seconded by **Ms B Motlhabé**.

#### **10. RECEIPT AND ADOPTION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2014**

The members were referred to the Audited Financial Statements for the year ended 30 June 2014 on pages 13 – 29 of the Report.

The Chairman asked the members if they had any comments or questions on the financial statements. There being no comments or questions the financial statements were adopted.

**It was RESOLVED** that the Financial Statements for the year ended 30 June 2014 be and are hereby adopted on proposal by **Ms Van Niekerk** and seconded by **Mr N Mhlanga**.

## **11. APPROVAL OF REVIEW OR AMENDMENT OF FUND RULES AND NOTARIAL DEED OF TRUST**

The members were referred to the Review or Amendment of Fund Rules and Notarial Deed of Trust on pages 30 - 34 of the Report. The Report had been circulated and was accordingly taken as read.

The Chairman asked members if they had any comments or questions and the following were questions asked:

- **Mr E Gaboopye**

Mr E Gaboopye requested clarity on ex - gratia payment.

In response, the Administrators, pointed out that the Rules provided that the Annual benefit limit was P300 000 and if any of the sub-limits was exhausted during the financial year then a member would be eligible to make an application to the Fund for financial assistance (ex-gratia assistance/payment).

- **Ms A Nkomeng**

Ms A Nkomeng asked whether the Fund was able to provide information on the balance of the benefits/limits to a member. The Administrators confirmed that the information was provided through the PULA Medical Aid Fund website.

- **Ms A Nkomeng**

Ms A Nkomeng further requested clarity on Rule 5.11.3.2 of Pula Medical Aid Trust Rules. The Administrators advised that the Fund covered mental or physically disabled dependants who were over the age of twenty one (21) years and that it was a requirement that the member should submit a letter from a health facility confirming that the dependant was still incapacitated to allow for continued cover by the Fund.

**It was RESOLVED** that the Review or Amendment of Fund Rules and Notarial Deed of Trust be and are hereby approved on proposal by **Ms Van Niekerk** and seconded by **Mr M Gaotlhobogwe**.

## **12. APPOINTMENT OR RE-APPOINTMENT OF TRUSTEES**

The Chairman asked the members if they had any comments or questions on the re-appointment of Trustees. There being no comments or questions the re-appointment of Trustees was approved as presented.

**It was RESOLVED** that the re-appointment of Trustees until the next AGM be and is hereby approved on proposal by **Ms Van Niekerk** and seconded by **Mr K Magapa**

### 13. APPOINTMENT OF EXTERNAL AUDITORS

PricewaterhouseCoopers (PwC) were appointed the external auditor of the Fund for the financial year 2013/2014 and to hold office from the conclusion of the AGM held on 12 December 2014 until conclusion of the next AGM. It was reported that the Auditors had been appointed to hold office until the next AGM.

**It was RESOLVED** that the re-appointment of the external auditors until the next AGM in 2015 be and is hereby ratified on proposal by **Ms P Johannes**, seconded by **Ms Van Niekerk**.

### 14. ANY OTHER BUSINESS

The Chairman asked the members if they had any comments or questions on any issue that they wanted to be clarified by both the Trustees and Administrators and the members responded as follows:

- **Ms R Makgekgenene**

Ms Makgekgenene advised that she had paid more than 10% upfront at several pharmacies when seeking medication and approached Administrators as to why she was requested to pay more than 10% upfront and had not been provided with a “convincing” response. Ms Makgekgenene was requested to shop around facilities that did not require more than 10% upfront payment. It was further clarified that the Administrators had meetings with the dispensing facilities and agreed on a pricing and reimbursement model. The Administrators pointed out that although some facilities may not have been charging as agreed; the Fund was not in a position to dictate to the dispensing facilities how to operate their business.

- **Ms J Bagidi**

Ms Bagidi advised that she had paid more than 10% upfront at the Gaborone Private Hospital and was informed later that medical aid had not paid her claim despite her having paid more than 10% and wanted an explanation.

It was pointed out that the Fund had agreed on tariffs with the hospitals and the cause could have been due to the Hospital claiming outstanding balance(s) not covered by the Fund. Ms Bagidi was invited to visit the office of the Administrators for further assistance if necessary. Ms Bagidi further pointed out that she had realized that after sequestration of Bokamoso Private Hospital Trust, the current administration inherited the debtors for previous hospital administration and wanted to know how the Fund was addressing the matter. The Administrators pointed out that they had been working closely with the current hospital administration to address the issue.

- **Mr M Gaotlhobogwe**

Mr Gaotlhobogwe asked whether it was possible to identify pharmacies which did not comply with the pricing model and warn the members of the Fund. The Administrators advised members that they would not want to be involved in condoning anti-competitive behaviour as it would be contrary to the Competition Act as the Fund may be fined for such behaviour.

- **Ms S Setiko**

Ms Setiko was of the view that the expectation from members was for the Fund to pay hospital bills however on several occasions members received demand letters advising of their indebtedness to the hospital(s) and requested an explanation. It was pointed out that the Fund had introduced sms alerts about members' payments and members responsibility was to contact the Fund immediately should they experience problems with payment of their claims.

- **Ms L Mmolawa**

Ms Mmolawa enquired with concern, whether the Fund was purely for business or whether it also considered members' health. It was explained that the Fund was evolving and in the process of considering several interventions that would be beneficial to the members. It was confirmed that the Fund was mainly concerned with the best interests of the members.

- **Mr O Phokojwe**

Mr Phokojwe advised that his friend had tibia fracture and had paid more than 10% upfront when admitted at Gaborone Private Hospital and to date was still requested to pay similar amount upfront though he previously paid for the same condition and asked how he could be assisted. The difference between what the Fund reimburses or pays and the service provider's charged amount was largely due to the difference between Fund's set tariffs and those charged by the service provider. If the Fund paid according to how Gaborone Private Hospital charged its patients the Fund would not be sustainable in the long-run.

- **Ms L Lubengu**

Ms Lubengu enquired as to whether there were other alternative modes of communication since the elderly would be challenged to access the Fund website. The Administrators pointed out that the other mode of communication was through sms. A large number of members owned mobile phones and if members would update their contact details with the Fund then they would access information from the Fund with ease.

- **Ms E Basugi**

Ms Basugi asked how often the Fund reviewed Optical Care benefit limits as the prices in the market had increased drastically. It was pointed out that the Optical Care limits had been reviewed in 2012 and the limits provided by the Fund were higher than those provided by its competitors.

## **15. DATE OF NEXT MEETING**

It was reported that the date of next meeting to be in December 2015, would be communicated to the members.

## 16. ADJOURNMENT

There being no other business to discuss, the **Chairman** declared the meeting closed at **11:24**.

Verified and Signed by the Chairman on this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

\_\_\_\_\_  
**Peter D. Stevenson**



# BOARD OF TRUSTEES REPORT

TO THE MEMBERS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

## 1. INTRODUCTION

On behalf of the Board of Trustees (Board) I would like to present the 24th Annual Report to the members. The report covers aspects of the Fund's principal mandate which is to facilitate access to healthcare services by members and their dependants by providing assistance in defraying cost relating to these services. In addition, the report covers the operational and financial performance of the Fund. The latter is extensively covered in the Annual Audited Financial Statements.

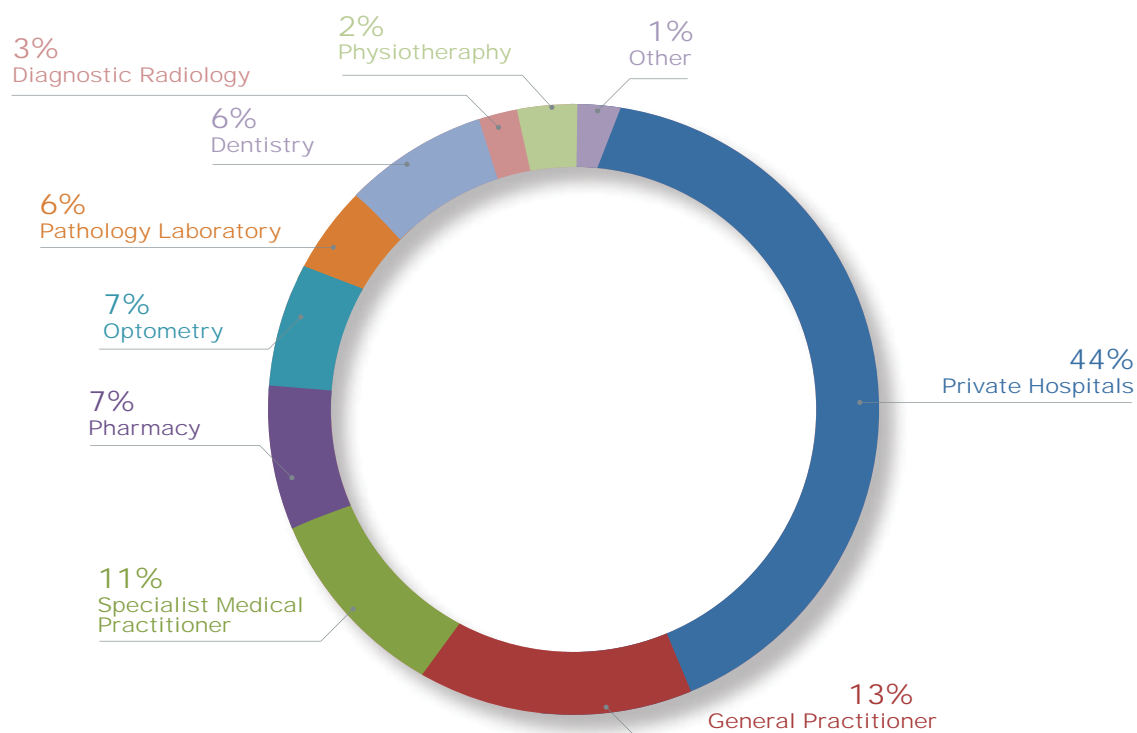
## 2. FACILITATING ACCESS TO PRIVATE HEALTH CARE SERVICES

The Fund continued to facilitate access to private health care services for its members and their dependants; thus fulfilling its principal mandate and obligation to its principal stakeholders (specifically employer groups, members and their dependants). Membership grew by **0.8%** to **17 672**, whilst beneficiaries (members and their dependants) stood at **41 028** lives covered, as at June 2015. Lives covered by the Fund grew by **1.5%** during the year under review. However, had it not been for the liquidation and closure of some significant employer group members the Fund would have recorded membership growth in excess of **3%**. During the year under review the Fund assisted **37 113** of its beneficiaries to access and pay for private healthcare services from service providers in Botswana and other countries.

On average **25 176** beneficiaries were facilitated and accessed General Medical Practitioners (GP) services, **21 819** hospital services at a rate of **2.3** and **2.9** visits per average beneficiary per annum, respectively. The Fund paid on behalf of its beneficiaries P85.2m for hospital services during the year under review and when compared to the prior year this represented an increase of **14.8%**. Similarly, **P25.1m** was paid on behalf of Fund's beneficiaries to General Medical Practitioners, **P13.4m** to Pharmacies; representing an increase of **13.6%** and **20.5%** respectively when compared to the prior year.

The Fund paid a total of **P194.2m** on behalf of its beneficiaries to all service providers who rendered services to its beneficiaries, during the year under review. Of this amount, **P178.2m (91.8%)** was paid to local healthcare service providers and thus the Fund has contributed significantly to the economy, employment creation and sustenance of same in Botswana.

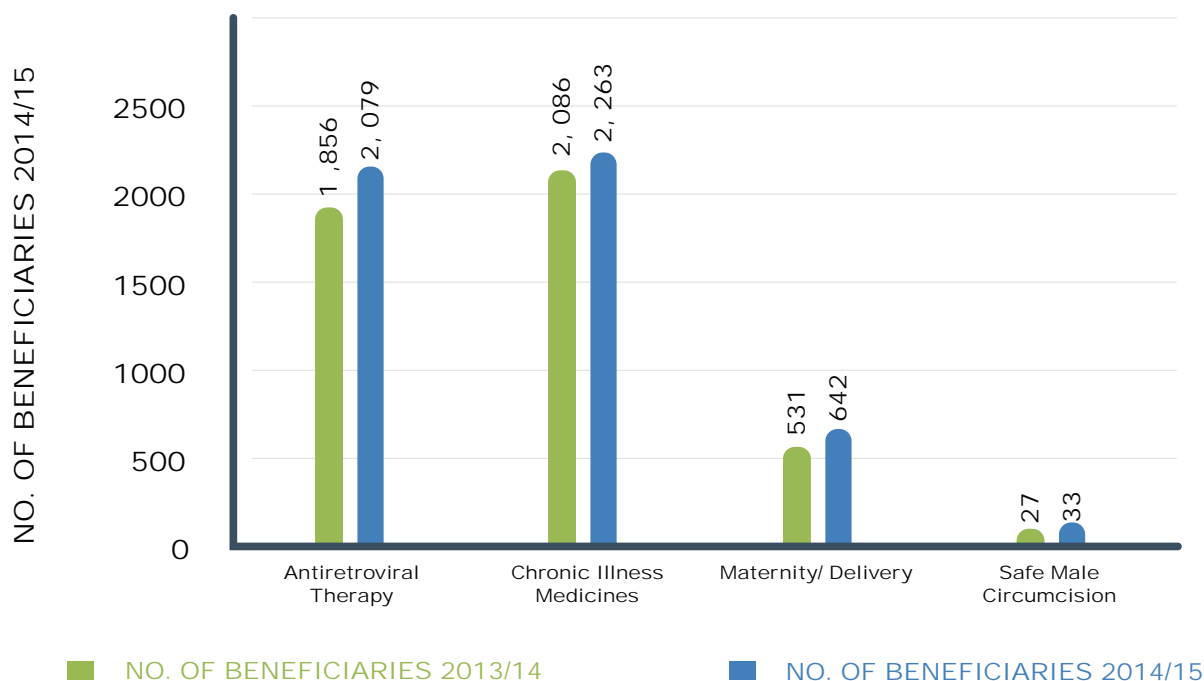
The Figure 1 below shows a distribution of payments to each category of services providers and/or facilities.



**Fig 1: Distribution of payments by category of Service Provider or Facility**

Figure 1, above, shows that most of the Fund's beneficiaries accessed healthcare services through Private Hospitals, GPs, Medical Specialists, Private Pharmacies Optometrists and Opticians. Diagnostic services (radiology and pathology) contributed about 9% of total paid.

The figure below shows some of the results and achievements as a result of the Fund having facilitated access to private healthcare by its beneficiaries.



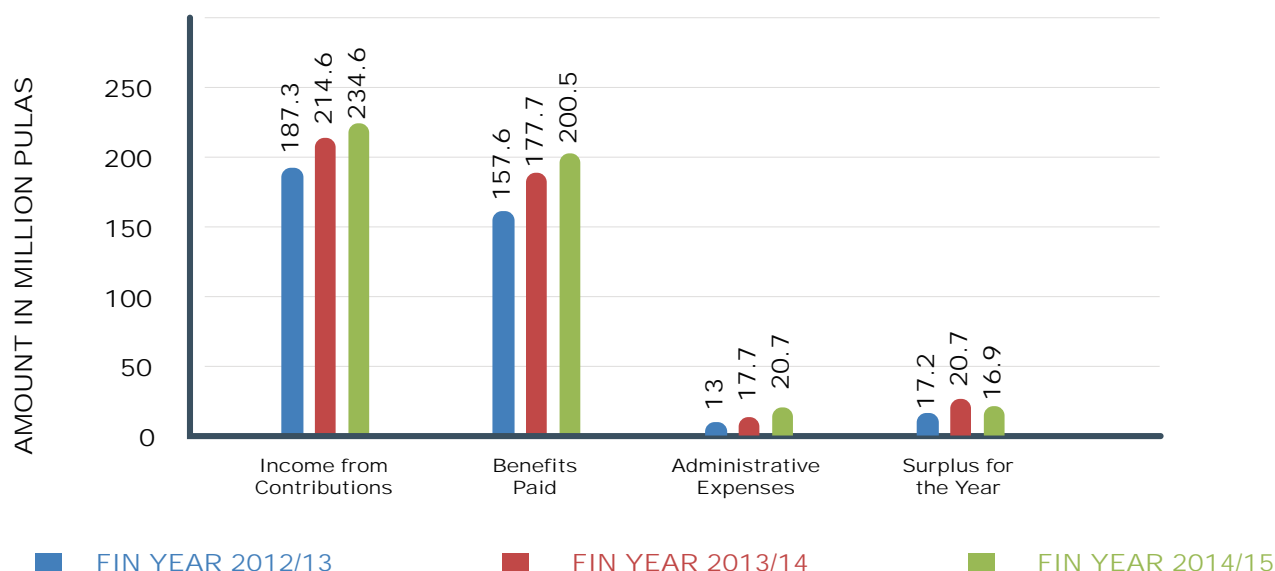
**Figure 2: Some of the achievements through healthcare access facilitation**

The Figure 2 above shows that the Fund continues to increasingly assist members and their beneficiaries access various treatments and medical procedures. The said services are managed through the Fund's Managed Care Programmes that are outsourced to the Administrators and includes; Disease Management Programme for HIV/AIDS, Pharmaceutical Benefit Management, Chronic Disease (Non-Communicable Disease) Benefit Management and Hospital Case Management among others.

The number of patients supported by the Fund to access antiretroviral therapy increased year-on-year by **12%**, chronic medicines **8.5%**, mothers delivering in private hospitals **21%** and Safe Male Circumcision procedures increased by **22%**.

Most of the **642** mothers who delivered were enrolled on the PulaBaby Programme. The programme provides support, starter packs, general and personalised information necessary for expectant mothers and fathers advising on how to cope with pregnancy.

### 3. OVERVIEW OF THE FINANCIAL PERFORMANCE OF THE FUND



**Figure 3: Overview of Financial Performance**

The figure above shows that the Fund received gross contribution income of **P234.6m**, paid out benefits of **P200.5m** and incurred administration expenses of **P20.7m** that resulted in a net surplus of **P16.9m**, after taking into account other income. Gross contribution income and benefits paid grew by **9.3%** and **16.6%**, respectively. The former was due to contribution increases effected 01 July 2014 and membership growth. The latter was due to service tariff increases effected during the year and increased benefit utilisation by beneficiaries that resulted in the claims ratio increasing from **77.6%** to **82.8%**, excluding IBNR.

The solvency margin increased from **17%** to **23%** as at June 2015, whilst total assets increased from **P61.4m** to **P78.7m**. The increased solvency margin resulted from increases in cash balances and the net surplus recorded.

### 4. OVERVIEW OF OPERATIONS

#### 4.1. Leveraging Information and Communication Technology (ICT)

The Fund continues to leverage ICT in order to improve service delivery to members, service providers and other stakeholders. The roll-out of electronic claims submission is increasingly reducing claims payment turnaround times that are relatively query free and has improved cash-flows for those service providers who have taken advantage of the functionality. This functionality processes claims 24/7.

The Fund communicates with members through SMS post claims payment to inform them about transactions taking place from their benefit accounts. In order to ensure receipt of the SMS messages members are requested to update their contact details with the Fund's Administrators. In addition, members are reminded to always check the veracity of the SMS communication from the Fund and ensure that such payments are **bona fide**, failing which the Fund and/or Administrators should be alerted/informed.

The Board would like to urge members to update their contact details (mobile phone, e-mail and postal addresses) with the Fund in order to improve communication. The Fund's website ([www.pulamed.co.bw](http://www.pulamed.co.bw)) may also be accessed by members, service providers and employer groups to view transactions in their accounts and claims payment, view and print statements, download forms, submit queries, keep abreast of developments and obtain information about the Fund. This self-service facility can be utilised anytime-anywhere at one's own convenience 24/7.

The Board of Trustees would like to take this opportunity to request members, service providers, employer groups and other stakeholders to support the Board's endeavours of continuous service delivery improvement by responding to routine electronic customer and stakeholders' satisfaction surveys. The feedback ("voice of the customer") obtained through these surveys has been of great value and the Board would like to appreciate and thank all those that have responded to the survey questionnaires thus far.

The Fund concluded, in March 2015, a Customer and Stakeholder Satisfaction Survey (CSSS) which culminated in a baseline Customer and Stakeholder Satisfaction Index (CSI) of **71.3%**. The Fund Members Customer Satisfaction Index was **77%**. The achieved CSI for members, service providers and other stakeholders was comparable to the average CSI for open medical aid schemes in South African, which stood at **72.8%** (2013). Feedback and/or inputs from the CSSS has been and will be used to inform product development and corporate strategies.

#### **4.2. Claims Processing**

The Fund processed and paid on average **29 951** claims per month, of which **30%** were submitted electronically. This represented an increase of **12%** and more than **100%** respectively. However, it may be noted that during the month of June 2015 the percentage of electronically submitted claims was **39%** of total claims processed for the month. The volume of claims submitted electronically is expected to increase significantly during the next financial year. The Fund would like to move to a paperless environment very soon and thus encourages service providers to actively enquire and engage the Administrators to facilitate their enrolment onto the electronic claims submission facility.

### **5. GOVERNANCE**

#### **5.1. Composition of the Board and it's Committees**

In accordance with the Deed of Trust and the Fund Rules (Rule 24) the Fund shall have a Board of Trustees constituted by not more than ten (10) Board of Trustees with at least five (5) members who shall be representatives of major employer groups contributing to the Fund and at least three (3) independent members with relevant qualifications and expertise.

For the period under review the Board was constituted as follows:

NAME	REPRESENTATION / MEMBERSHIP STATUS
Mr Peter Stevenson – Chairman	Independent
Mr Maleho Mothibatsela – Vice Chairman	Independent
Mr Batho Motubudi	Independent
Ms Kungo Mabogo	Independent
Mr Obakeng Moroka	Debswana Diamond Company
Mr Geoffrey Mahlaka	Botswana Ash
Ms Mukani Pelaelo	Botswana Unified Revenue Services (BURS)
Dr Bakani Thipe	Tati Nickel Mining Company
Ms Chandida Thembe	Civil Aviation Authority Botswana (CAAB)

During the course of the year under review and the current financial year the Board established and/or elected new members to the following Committees to assist and advice on the running of the Fund:

#### a) Risk and Compliance Committee

Mr Batho Motubudi	–	Chairman
Mr Geoffrey Mahlaka	–	Member
Ms Kungo Mabogo	–	Member

The Committee is responsible for the Fund's strategic management of business risks and the establishment and implementation of a risk management framework, as well as monitoring its effectiveness.

#### b) Tender Committee

Ms Chandida Thembe	–	Chairperson
Ms Kungo Mabogo	–	Member

The Committee is entrusted with the review, approval and recommendation for approval of the Fund's Procurement Policy to the Board of Trustees, ensuring appropriate implementation of the Procurement Policy, as well as evaluation of tender bids and recommendation of awards to the Board of Trustees, as appropriate.

#### c) Finance and Audit Committee

Mr Obakeng Moroka	–	Chairman
Mr Peter Stevenson	–	Member
Mr Oteng Sebonego	–	Member
Mr Batho Motubudi (alternate to Mr O Sebonego)		

The Committee is entrusted with; recommending policies and strategies to the Board that would maintain and improve the financial health and integrity of the Fund, review and recommending approval of the annual operating budget by the Board and monitoring thereof. In addition the Committee responsible for recommending the appointment of external auditors and actuaries to the Board and reviewing overall and monitoring performance of the appointed entities among others.



#### **d) Investment Committee**

Mr Maleho Mothibatsela	–	Chairman
Mr Geoffrey Mahlaka	–	Member
Dr Bakani Thipe	–	Member

The Committee is responsible for the advising the Board of Trustees on issues relating to the Fund's investments, ensuring the development and implementation of the Fund's Investment Policy, Strategy and any Investment Guidelines, including monitoring performance of the investments.

#### **e) Remuneration Committee**

The Committee is constituted as follows:

Ms Mukani Pelaelo	–	Chairperson
Mr O Moroka	–	Member
Mr Peter Stevenson	–	Member

This is a new Committee whose terms of reference are still being developed. However, the Committee would be entrusted with ensuring development and implementation of a Remuneration Policy for the Board, its committees and direct employees of the Fund.

#### **5.2. Appointment of Principal Officer (PO)**

The Board of Trustees appointed the PO in line with the Fund Rules and who started work in November 2014. This is in line with anticipated legislative framework from the Non-Bank Financial Institutions Authority ("NBFIRA"/"Regulator"). The PO is, among other things, responsible for ensuring development and implementations of the Fund's Corporate Strategy and statutory compliance, stakeholder's relationship management, providing oversight on third parties contracted to provide services to the Fund and management of the Fund's risk. The PO is a full-time employee of the Fund and is an ex-officio member of the Board and its Committees.

### **6. OTHER MATTERS**

The Fund will during the next financial year introduce the Executive Benefit Option, Travel Insurance and a Preventative Health Package that were approved during the December 2014 members' Annual General Meeting. The Preventative Health Package will augment other health screening services (e.g. HIV screening) that the Fund has been providing by making it possible for the Fund's beneficiaries to undergo annual medical check-ups, PAP smear testing, mamograms, and PSA testing for men over 50 years old, subject to the Fund Rules. The Fund will continue to add more innovative products that would add value to its beneficiaries, attract new members and ensure the sustainability of the Fund.

### **7. CONCLUSION**

The Fund performed satisfactorily financially and operationally during the year under review and the Board anticipates a similar trend going into the future despite keen competition and challenging economic conditions in the local and global economies.

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**PULA MEDICAL AID FUND**  
**ABRIDGED ANNUAL**  
**FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

## **PULA MEDICAL AID FUND**

### **GENERAL INFORMATION** **for the year ended 30 June 2015**

#### **Board of Trustees**

Board of Trustees as at 30 June 2015 are as follows:

Mr Peter Stevenson	Chairman
Mr Maleho Mothibatsela	Vice Chairman
Mr Batho Motubudi	Independent Trustee
Ms Kungo Mabogo	Independent Trustee
Ms Mukani Pelaelo	Representing Botswana Unified Revenue Services (BURS)
Mr Geoffrey Mahlaka	Representing Botswana Ash
Dr Bakani Thipe	Tati Nickel Mining Company
Ms Chandida Thembe	Representing Civil Aviation Authority Botswana (CAAB)
Obakeng Moroka	Representing Debswana Diamond Company

#### **Alternates**

- Grace Siamisang - BURS Representative - Alternate to Mukani Pelaelo  
Oteng Sebonego - Independent Trustee - Alternate to Batho Motubudi

#### **Principal Officer**

Dr Thato Moumakwa

#### **Administrators**

Associated Fund Administrators Botswana (Proprietary) Limited  
P O Box 1212, Gaborone, Botswana

#### **Registration**

The Fund was registered in Botswana under the Notarial Deed of Trust (registration reference MA 22/91).

#### **Principal Activity**

The Fund provides assistance to its members and their dependents in defraying expenditure incurred in relation to medical and related services.

#### **Business Address**

P O Box 1212, Gaborone, Botswana

#### **Registered Offices**

AFA House  
Plot 61918, Showgrounds Office Park, Gaborone

## **PULA MEDICAL AID FUND**

### **GENERAL INFORMATION for the year ended 30 June 2015**

#### **Auditors**

PricewaterhouseCoopers

#### **Bankers**

First National Bank Botswana Limited

BancABC

Bank Gaborone Limited

Barclays Bank of Botswana Limited

#### **Asset Managers**

African Alliance Botswana Management Company (Pty) Ltd

#### **Lawyers**

Armstrongs- Attorneys, Notaries & Conveyancers

## **PULA MEDICAL AID FUND**

### **ABRIDGED ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2015**

<b>CONTENTS</b>	<b>PAGE</b>
Statement of responsibility by the Board of Trustees and approval of the annual financial statements	35 - 36
Statement of the independent auditors' report	37
Statement of comprehensive income	38
Statement of financial position	39
Statement of changes in reserves	40
Statement of cash flows	41
Significant accounting policies	42 - 45
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## **PULA MEDICAL AID FUND**

### **ABRIDGED ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2015**

#### **STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES for the year ended 30 June 2015**

The Board of Trustees is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards.

The Board of Trustees acknowledges that it is ultimately responsible for the system of internal financial control established by the Fund and places considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees of the administrator company are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Board of Trustees is of the opinion, based on the information and explanations given by the administrators, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The auditors are responsible for giving an independent opinion on the true and fair view of the annual financial statements based on their audit of the affairs of the Fund.

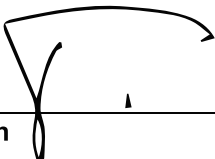
The going concern assumption has been applied, in the preparation of the financial statements. The Board of Trustees has no reason to believe that the Fund will not be a going concern in the foreseeable future based on forecasts and available cash resources.

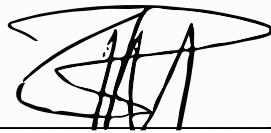
## **PULA MEDICAL AID FUND**

### **ABRIDGED ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2015**

#### **BOARD OF TRUSTEES' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

Against this background, the Board of Trustees accepts responsibility for the financial statements on pages 38 to 50 which were approved on 10 September 2015 and are signed on its behalf by:

  
Chairperson

  
Trustee





## STATEMENT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF PULA MEDICAL AID FUND

The abridged financial statements on pages 38 to 50 is an extract of the audited financial statements for the year ended 30 June 2015 and contains a summary of significant information, which the Board of Trustees believe are relevant and appropriate for the purpose of the Annual General Meeting of Pula Medical Aid Fund.

Our audit opinion issued in respect of the annual audited financial statements for the year ended 30 June 2015, which is unqualified has been included in the full set of the annual financial statements which is available on the Pula Medical Aid Fund's website.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in black ink.

**PricewaterhouseCoopers**  
**Individual practicing number: A.S. Edirisinghe**  
**Membership Number: 20030048**

**Gaborone**  
**21 September 2015**

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*PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P.O. Box 294, Gaborone, Botswana  
T: (+267) 395 2011, F: (+267) 397 3901, [www.pwc.com/bw](http://www.pwc.com/bw)*

Country Senior Partner: B D Phirie  
Partners: R Binedell, R P De Silva, A S Edirisinghe, S K K Wijesena

## PULA MEDICAL AID FUND

### STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2015

<i>In Botswana Pula</i>	Notes	2015	2014
Income from contributions		234,557,881	214,593,910
Benefits paid	2	(200,494,318)	(177,653,260)
<b>Net contribution surplus</b>		<b>34,063,563</b>	<b>36,940,650</b>
Other income		201,575	239,167
Administrative expenses	2	(20,716,135)	(17,739,295)
<b>Operating surplus</b>		<b>13,549,003</b>	<b>19,440,522</b>
Finance income	3	3,378,669	1,394,674
Finance costs	3	-	(175,262)
<b>Net finance income</b>		<b>3,378,669</b>	<b>1,219,412</b>
<b>Surplus for the year</b>		<b>16,927,672</b>	<b>20,659,934</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>16,927,672</b>	<b>20,659,934</b>

## PULA MEDICAL AID FUND

### STATEMENT OF FINANCIAL POSITION as at 30 June 2015

<i>In Botswana Pula</i>	Notes	2015	2014
<b>ASSETS</b>			
<b>Current assets</b>			
Available-for-sale financial assets	5	-	75,036
Trade and other receivables	6	3,668,158	4,083,478
Cash and cash equivalents	7	75,048,161	57,192,410
<b>Total assets</b>		<b>78,716,319</b>	<b>61,350,924</b>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Accumulated surplus		53,263,605	36,335,933
<b>Current liabilities</b>			
Provision for outstanding claims	8	19,911,761	20,496,364
Trade and other payables	9	5,540,953	4,518,627
		<b>25,452,714</b>	<b>25,014,991</b>
<b>Total reserves and liabilities</b>		<b>78,716,319</b>	<b>61,350,924</b>

## **PULA MEDICAL AID FUND**

### **STATEMENT OF CHANGES IN RESERVES** *for the year ended 30 June 2015*

<i>In Botswana Pula</i>	<b>Accumulated Surplus</b>	<b>Total Reserves</b>
<b>For the year ended 30 June 2014</b>		
Balance as at 01 July 2015	15,675,999	<b>15,675,999</b>
<b>Comprehensive income</b>		
Surplus for the year	20,659,934	<b>20,659,934</b>
<b>Total comprehensive income</b>	<u>20,659,934</u>	<u><b>20,659,934</b></u>
<b>Balance as at 30 June 2014</b>	<u><b>36,335,933</b></u>	<u><b>36,335,933</b></u>
<b>For the year ended 30 June 2015</b>		
Balance as at 01 July 2014	36,335,933	<b>36,335,933</b>
<b>Comprehensive income</b>		
Surplus for the year	16,927,672	<b>16,927,672</b>
<b>Total comprehensive income</b>	<u>16,927,672</u>	<u><b>16,927,672</b></u>
<b>Balance as at 30 June 2015</b>	<u><b>53,263,605</b></u>	<u><b>53,263,605</b></u>

## PULA MEDICAL AID FUND

### STATEMENT OF CASH FLOWS for the year ended 30 June 2015

<i>In Botswana Pula</i>	NOTES	2015	2014
<b>Cash flows from operating activities</b>			
Cash receipts from members	10.1	234,955,532	215,190,228
Cash paid for claims and other benefits	10.2	(201,078,921)	(173,131,701)
Cash paid in respect of Administrative expenses	10.3	(19,474,565)	(17,005,712)
Cash generated from operations		14,402,046	25,052,815
Interest paid	3	-	(175,262)
<b>Net cash flows from operating activities</b>		14,402,046	24,877,553
<b>Cash flows from investing activities</b>			
Interest received on bank call accounts	3	3,378,669	136,061
Interest received on other investments	3	-	1,258,613
Disposal of available-for-sale financial assets	5	75,036	15,374,888
<b>Net cash flows from investing activities</b>		3,453,705	16,769,562
<b>Cash flows from financing activities</b>			
Capital repayments of long term liabilities		-	(9,028,596)
<b>Net cash flows from financing activities</b>		-	(9,028,596)
<b>Net change in cash and cash equivalents</b>		17,855,751	32,618,519
Cash and cash equivalents at beginning of the year	7	57,192,410	24,573,891
<b>Cash and cash equivalents at end of the year</b>	7	75,048,161	57,192,410

## **PULA MEDICAL AID FUND**

### **SIGNIFICANT ACCOUNTING POLICIES** *for the year ended 30 June 2015*

#### **GENERAL INFORMATION**

##### **Important Notice**

For the comprehensive notes to the financial statements as well as the company policies, please refer to [www.pulamed.co.bw](http://www.pulamed.co.bw).

#### **PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements, which have been applied on a consistent basis with those of the previous year, are set out below.

##### **1. Basis of preparation**

The abridged annual financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held at fair values through profit or loss. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

##### **1.1 Financial assets**

###### **1.1.1 Classification**

The Fund classifies its financial assets in the following categories: at fair value through profit or loss (comprehensive income statement), loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

###### **a. Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

###### **b. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

## **PULA MEDICAL AID FUND**

### **SIGNIFICANT ACCOUNTING POLICIES** *for the year ended 30 June 2015*

#### **1.1.1 Classification (continued)**

They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Fund's loans and receivables comprise 'loans and advances', 'trade receivables', 'other receivables' and Cash at bank and cash equivalents in the statement of financial position (Notes 6 and 7).

#### **c. Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

#### **1.1.2 Recognition and measurement**

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through statement of comprehensive income. Financial assets carried at fair value through statement of comprehensive income are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through statement of comprehensive income are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'investment income' in the period in which they arise. Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in statement of changes in reserves.

#### **1.1.3 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.



## **PULA MEDICAL AID FUND**

### **SIGNIFICANT ACCOUNTING POLICIES** *for the year ended 30 June 2015*

#### **1.2 Impairment**

The carrying amounts of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. The impairments of financial assets are done in accordance with financial asset recognition and measurement criteria. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

#### **1.3 Revenue recognition**

##### **1.3.1 Income from contributions**

The Fund obtains monthly contributions from its members. These contributions are recognised in the statement of comprehensive income on an accrual basis. The premiums include adjustments to premiums from backdated termination and registrations.

##### **1.3.2 Investment income**

Investment income comprises interest receivable on funds invested, realised investment value and dividend income from investments. Interest income is recognised in the statement of comprehensive income, using the effective interest rate method, and taking into account the expected timing and amount of cash flows. Interest income includes the amortisation of any discounts or premiums or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on an effective interest rate method. Dividend income is recognised in the statement of comprehensive income when the right to receive payment is established. The accumulated fair value adjustments of available-for-sale investments are included in the income statement as gains and losses from investment securities, at the time of disposal.

#### **1.4 Claims incurred**

Claims incurred consist of claims paid during the financial year together with the movement in the provision for outstanding claims. The provision for outstanding claims comprises the Fund's estimate of the cost of settling all claims incurred but unpaid at the reporting date.

## **PULA MEDICAL AID FUND**

### **SIGNIFICANT ACCOUNTING POLICIES** *for the year ended 30 June 2015*

#### **1.4 Claims incurred (continued)**

Whilst the trustees consider that gross provisions for claims are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used to value these provisions, and the estimates made, are reviewed regularly.

#### **1.5 Current income tax**

The normal Botswana tax has not been made as the Fund is registered under a Notarial Deed of Trust and according to part 1, paragraph (v) of the second schedule of the Income Tax Act, 1995, the trust is exempt from income tax.

#### **1.6 Borrowings**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction cost) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

#### **1.7 Provisions**

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provision is made for estimated outstanding claims incurred during the financial year, which are payable in the succeeding financial year.

#### **1.8 Trade payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less from the reporting date. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using effective interest rate method.

## PULA MEDICAL AID FUND

### NOTES TO THE ABRIDGED FINANCIAL STATEMENTS for the year ended 30 June 2015

	<i>In Botswana Pula</i>	2015	2014
<b>2</b>	<b>Analysis of expenses by nature</b>		
	Claims and other member benefits paid	200,494,318	177,653,260
	Actuarial consultancy fees	1,351,611	1,036,963
	Administration fees	14,927,326	13,746,928
	Audit fees	268,758	232,362
	Consultancy fees	24,770	204,807
	Fidelity insurance	76,500	98,900
	Other administrative expenses	1,147,860	770,926
	Principal officer's remuneration	692,081	-
	Promotions and advertising	1,347,968	1,274,871
	Provision / (reversal) of impairment of debtors	170,822	(425,000)
	Trustees' fees	708,439	798,538
	<b>Total administrative expenses</b>	<b>20,716,135</b>	<b>17,739,295</b>
	<b>Total expenses</b>	<b>221,210,453</b>	<b>195,392,555</b>
<b>3</b>	<b>Finance income and costs</b>		
	<b>Finance income</b>		
	Interest income on available-for-sale		
	Financial assets	-	1,258,613
	Interest income on short-term bank deposits	3,378,669	136,061
		<b>3,378,669</b>	<b>1,394,674</b>
	<b>Finance costs</b>		
	Interest expense on bank borrowings	-	(175,262)
	<b>Net finance income</b>	<b>3,378,669</b>	<b>1,219,412</b>
<b>4</b>	<b>Income tax</b>		
	In terms of part 1, paragraph (v) of the second schedule of the income tax act, the fund qualifies as an approved benefit fund and consequently is exempt from income tax.		

## PULA MEDICAL AID FUND

### NOTES TO THE ABRIDGED FINANCIAL STATEMENTS for the year ended 30 June 2015

	<i>In Botswana Pula</i>	2015	2014
<b>5</b>	<b>Available-for-sale financial assets</b>		
	Balance at beginning of the year	75,036	15,449,924
	Disposals	(75,036)	(15,374,888)
	Balance at end of the year	-	75,036
	The investments are made up as follows:		
	African Alliance Liquidity Fund	-	75,036

The carrying value of available-for-sale financial assets at the reporting date represents their fair value and represents investment in money market funds that earn market related interest.

The maximum exposure to credit risk at the reporting date is the carrying value of the investment.

None of these financial assets are either past due or impaired.

<b>6</b>	<b>Trade and other receivables</b>		
	Contributions receivable	3,567,144	3,964,795
	Less: provision for impairment	(738,390)	(567,568)
		2,828,754	3,397,227
	Prepayments	6,375	6,375
	Sundry receivables	833,029	679,876
		3,668,158	4,083,478

Contribution receivable is stated at amortised cost less provision for impairment. The impairment loss represents the Board of Trustees' best estimate of the contributions raised and not likely to be recovered.

## PULA MEDICAL AID FUND

### NOTES TO THE ABRIDGED FINANCIAL STATEMENTS for the year ended 30 June 2015

	<i>In Botswana Pula</i>	2015	2014
<b>6</b>	<b>Trade and other receivables (continued)</b>		
	Movement of the provision for impairment of trade receivables are as follows;		
	Balance at beginning of the year	567,568	992,568
	Provision for impairment	170,822	(425,000)
	Balance at end of the year	738,390	567,568
	The ageing of the impaired receivables is as follows:		
	61-90 days	426,441	382,812
	More than 90 days	311,949	184,756
		738,390	567,568
	The fair value of trade and other receivables are as follows:		
	Trade receivables	2,828,754	3,397,227
	Sundry receivables	833,029	679,876
		3,661,783	4,077,103
<b>7</b>	<b>Cash and cash equivalents</b>		
	Cash at bank	75,060,692	57,223,623
	Bank overdraft	(12,531)	(31,213)
		75,048,161	57,192,410

Surplus funds are retained in both the current account and the call account. The call account bears interest at current commercial bank rates. As there is a right to set-off, the settlement accounts are included in cash and cash equivalents.

The overdraft reflected at the reporting date represents a temporary book balance which arose pending the transfer of funds from the Fund's call account under its standing sweeping facility with the bank.

## PULA MEDICAL AID FUND

### NOTES TO THE ABRIDGED FINANCIAL STATEMENTS for the year ended 30 June 2015

*In Botswana Pula* 2015 2014

#### 7 Cash and cash equivalents (continued)

For the purpose of statement of cash flows, cash and cash equivalents comprise of:

Cash at bank	75,060,692	57,223,623
Bank overdraft	(12,531)	(31,213)
	75,048,161	57,192,410

#### 8 Provision for outstanding claims

Balance at beginning of the year	20,496,364	15,887,068
(Decrease) / increase in claims provision	(584,603)	4,609,296
Balance at end of the year	19,911,761	20,496,364

The provision for outstanding claims represents the Trustees' best estimate of claims, with the assistance of actuaries, that have been incurred during the current financial year but which are payable after the year-end.

The following are key assumptions used in the computation of claims which were incurred but not reported (IBNR) as at 30 June 2015.

Membership growth - Standard option - 0.24% per annum and De-luxe option 2% per annum  
 Inflation rate - 3.8% per annum  
 Investment return - 0.3% per month  
 Assumed bad debts - 0.5% per annum  
 Contribution increase - 9% per annum

#### 9 Trade and other payables

Administration fees payable	1,661,185	1,832,438
Contributions received in advance	2,805,196	1,746,656
Other accounts payables	1,074,572	939,533
	5,540,953	4,518,627

The fair values of accounts payable balances approximate their carrying amounts due to their short term nature.

## PULA MEDICAL AID FUND

### NOTES TO THE ABRIDGED FINANCIAL STATEMENTS for the year ended 30 June 2015

<i>In Botswana Pula</i>		2015	2014
<b>10</b>	<b>Notes to the statement of cash flows</b>		
<b>10.1</b>	<b>Cash receipts from members</b>		
	Opening contributions receivable (Note 6)	3,964,795	4,561,113
	Contributions for the year	234,557,881	214,593,910
	Closing contributions receivable (Note 6)	(3,567,144)	(3,964,795)
		<u>234,955,532</u>	<u>215,190,228</u>
<b>10.2</b>	<b>Cash paid for claims</b>		
	Opening creditor for claims (Note 9)	-	(87,737)
	Claims expense	(194,172,443)	(166,548,542)
	Other member benefits	(6,906,478)	(6,495,422)
		<u>(201,078,921)</u>	<u>(173,131,701)</u>
<b>10.3</b>	<b>Cash paid in respect of administration expenses</b>		
	Opening accounts payable (Note 9)	(4,518,627)	(2,981,020)
	Opening other receivables (Note 6)	686,251	68,060
	Administration expenses (Note 2)	(20,716,135)	(17,739,295)
	Other operating income	201,575	239,167
	Increase / (decrease) in debtors provision (Note 2)	170,822	(425,000)
	Closing other receivables (Note 6)	(839,404)	(686,251)
	Closing accounts payable (Note 9)	5,540,953	4,518,627
		<u>(19,474,565)</u>	<u>(17,005,712)</u>





**Pula Medical Aid Fund**

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