



PRESS RELEASE

Reference: Trustees of Bestmed removed
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Press Release 20 of 2014: Trustees of Bestmed Medical Scheme removed

The Council for Medical Schemes (CMS), regulator of the medical schemes industry, removed nine Board of Trustees members of Bestmed Medical Scheme from office for lack of fitness and propriety.

The immediate removal of the Trustees follows the CMS routine inspection at the scheme which uncovered the following impugned transactions that took place:

- A Botswana Trip where Bestmed expended R365 201.23 for amongst other activities a safari and helicopter flights over the Victoria Falls, allegedly as part of marketing.
- Hunting Trips of more than R60 000, also allegedly as part of marketing.
- Neil Diamond Concert tickets, flights, liquor and entertainment of R140 793.39, listed as other marketing costs.
- Rugby suit and ticket Sponsorships of more than R205 000.
- Paid Sanlam Health Distribution Services (Pty) Ltd (SHDS), which is not a registered broker, Marketing and Distribution fees of over R111 million over the duration of the contract.

Council is the Board of the CMS, consisting of up to 15 members appointed by the Minister of Health. The Council is empowered, in terms of section 46 (1) of the Medical Schemes Act 131 of 1998 (MSA), to remove from office a member of the board of trustees of a medical scheme if the Council has sufficient reason to believe that the person concerned is not a fit and proper person to hold the office concerned.

Section 26(4) of the MSA was enacted to prevent the misuse and abuse of medical scheme funds. The Botswana Trip, Hunting Trips, paying for concerts, tickets and suits for rugby and sports events are not business of a medical scheme. They are also not costs incurred by the medical scheme in the carrying on of the business as a medical scheme.

The Bestmed trustees have been given ample time and extensions to respond to Council's concerns raised through a comprehensive inspection report handed to them in March 2013.

The Council has found that the contravention of the rules and the relevant laws constitute sufficient reason to believe that the trustees are not fit and proper persons to hold the office as a trustee.

Bestmed confirmed that it paid more than R111 million to SHDS during tenure of the agreement. Part of this payment was used to pay brokers and was received as co-administration in addition to fees for ensuring registration of new members. In terms of section 65(1) of the MSA no person may act as a broker or offer to act as a broker unless the Council has granted accreditation to such a person on payment of such fees as may be prescribed.

The trustees launched an urgent application, in which they also refer to an appeal to the Appeal Board, to suspend the order in the North Gauteng High Court in Pretoria. The Council intends to oppose the application.

Assurance to beneficiaries

Bestmed is an open medical scheme with about 172 984 beneficiaries. The claims-paying ability of the scheme remains unaffected. The removal of trustees from office stems only from concerns over their ability to govern and is not a reflection of the financial stability of the scheme.

Advice to brokers

Brokers are advised to act with restraint. Any advice they give must be based on a proper assessment of the situation and accord with the principles of best advice.

The best interests of their clients must be borne at heart at all times.

As financial advisors, brokers are also reminded of the Financial Services Board (FSB) legislation which clearly stipulates that consumers are entitled to best – meaning independent – advice at all times.

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