



## PRESS RELEASE

FOR IMMEDIATE RELEASE

Reference : Response to media reports on COMMED and Hosmed  
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### **PRESS RELEASE 7 OF 2011: THE COUNCIL FOR MEDICAL SCHEMES (CMS) RESPONDS TO MEDIA REPORTS ON INVESTIGATIONS INTO THE MEDICAL SCHEMES INDUSTRY**

The Council for Medical Schemes (CMS) would like to respond to recent media reports about investigations by the Hawks into the medical schemes industry. The Council and Office of the Registrar of Medical Schemes welcomes the investigation undertaken by the Hawks but wishes to clarify certain points in the reports.

#### **The COMMED matter**

During 2009 disgruntled former trustees of the Community Medical Aid Scheme (COMMED) asked CMS to investigate COMMED because of alleged irregularities in corporate governance.

Between June and September 2009 CMS inspectors carried out an inspection into COMMED and found no corporate governance irregularities other than a contract worth R14.5 million which was awarded to a company called Brandnue. Brandnue was paid the contract sum in full in December 2006, before the contract had commenced and in the absence of any deliverables. Following the CMS inspection report and on the recommendation of the CMS the current COMMED trustees also appointed a private investigator to look into the awarding of the R14.5 million contract to Brandnue. COMMED at that stage reported a criminal case to the South African Police Service (SAPS) in Sandton.

Shortly thereafter it was established by the investigator that the former acting Registrar of Medical Schemes, Mr Patrick Matshidze, was a co-director and/ business partner with Mr Langa Mconi, the former Principal Officer of COMMED and Mr Jimson Motshoane, the former Vice Chairperson of the COMMED Board of Trustees both of whom were implicated in the irregular awarding of the R14.5 million contract. These individuals initiated the initial inspection. Mr Matshidze did not at any time declare this relationship or the possible conflict of interest during his tenure as acting Registrar, specifically when he instituted the inspection into COMMED. Mr Matshidze resigned at short notice on 31 October 2009. In January 2010 the person who conducted the investigation on behalf of COMMED, was appointed as an inspector by CMS to fully investigate the R14,5 million transaction and the involvement of the individuals mentioned above.

The investigator furnished his inspection report to the CMS in October 2010 and in November 2010 the CMS published a comprehensive press release in this regard. The inspection report was handed to the police and CMS continues to monitor progress on the matter.

The NPA officials have confirmed that they are pursuing the matter.

### **The Hosmed and Allcare matter**

- On 5 August 2010 the CMS appointed Ligwa Advisory Services to conduct an investigation into the actions and transactions concluded by the Board of Trustees of Hosmed Medical Scheme which was elected in October 2008, and later removed by Pretoria High Court.
- On 17 February 2011 and not 17 February 2010 as was erroneously reported in the *Sunday Times* article of 18 September 2011, Ligwa Advisory Services handed over a full report to the CMS.
- The officials at the CMS studied the report and subsequently presented the matter to Council, the governing body of the CMS, at their next meeting on 28 May 2011. The Council considered the matter and because of the need to engage with the report more fully the matter was deferred to 28 July 2011. On this date Council resolved to refer the matter for criminal investigation in terms of the Medical Schemes Act which requires Council to refer matters to the NPA whenever it appears that an offence has been committed.
- On 5 September 2011 all the matters in the Ligwa report were formally reported at the Brooklyn Police Station in Pretoria and subsequently referred to the NPA. The report contains allegations that implicate certain individuals that are current and former employees of Hosmed, former trustees of Hosmed as well as current and former officials of Allcare administrators (Pty) Ltd.

The Registrar of Medical Schemes notes the alleged contents of the affidavit by Lieutenant-Colonel Gezina Lottering of the SAPS referred to in the *Sunday Times* article published on 18 September 2011. The SAPS has not shared the said affidavit with CMS, therefore save to state that CMS is not aware of any allegations against its officials, CMS cannot comment any further on the matter at this stage. The CMS will fully co-operate in any investigation concerning allegations against its officials. The investigation against its former acting Registrar serves as proud example of the CMS' attitude in this regard.

Contrary to the allegations contained in the series of media articles the CMS did not 'sit on' the Ligwa forensic report but rather referred all matters to the relevant authorities, and instructed Hosmed to

institute civil recovery proceedings where appropriate. Both these matters were also reported upon in the CMS Annual Report launched on 6 September 2011.

The CMS continues to ensure that all matters are resolved and irregularities dealt with decisively in terms of the Medical Schemes Act. The CMS has referred several matters, involving fraud worth multimillions of rands to the SAPS and NPA over the years, which are yet to be prosecuted. The CMS, therefore, welcomes the degree of keen interest finally shown by the Specialised Commercial Crimes Unit (SCCU) and the Hawks into pervasive fraud and corruption matters referred to the SAPS and NPA. CMS looks forward to cooperating with the Hawks so that the legal process will be followed to its logical conclusion.