2018 ANNUAL REPORT

Namaf

Namibian Association of Medical Aid Funds

Namaf

Taking Hands in

Namibia's Healthcare

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Healthcare providers

HPCNA
Health Professions Council of Namibia

MAFs
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MC
Management Committee

MoHSS
Ministry of Health and Social Services

MoF
Ministry of Finance

MoU
Memorandum of Understanding

Namaf
Namibian Association of Medical Aid Funds

NAMFISA
Namibia Financial Institutions Supervisory Authority

NAMFISA Act
Namibia Financial Institutions Supervisory Authority Act, 2001 (Act No. 3 of 2001)

NMRC
Namibian Medicines Regulatory Council

PN
Practice Number

PNS
Practice numbering system

1 GENE
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1.1 Vision and Mission

Vision

To be a recognised leader in the provision of a conducive environment for a sustainable private healthcare funding industry.

Mission

To enable the optimum functionality of the Namibian private healthcare industry to maximise value* for beneficiaries of medical aid funds.

*value = cost/quality, where quality is a combination of (1) structure (access); (2) processes; and (3) outcomes.

1.2 Core Mandate

The Namibian Association of Medical Aid Funds (Namaf) is a juristic body, established in terms of the Medical Aid Funds Act, 1995 (Act No. 23 of 1995) (hereafter referred to as the Medical Aid Funds Act). Namaf is responsible for market conduct regulation and supervision. This is done, in part, to protect members of medical aid funds (MAFs) against abuse from both medical aid funds and providers of healthcare services. In terms of the constituting Act, all medical aid funds are obliged to affiliate to Namaf.

The object of Namaf, in terms of Section 10 (3) of the Medical Aid Funds Act, is to promote, coordinate, control and encourage the establishment, development and functioning of the medical aid funds in the country. To this end, Namaf issues practice numbers, which are legally required for any medical service provider who wishes to claim directly from medical aid funds. Namaf also publishes procedure codes and billing guidelines which serve as the common mode of communication between medical aid funds and medical service providers when it comes to the submission of claims and the processing and assessment of those claims.

i) Promote:

Training and education of both internal and external stakeholders is central to promoting the establishment, development and functioning of medical aid funds in Namibia.

Internal education and training of MAFs and healthcare providers (HCPs) creates understanding of rules and regulations, policies and procedures, as well as the roles and responsibilities of the different industry players. This awareness enables compliance, as well as good clinical and corporate governance and optimal functioning in the claims management system and tariff benchmarking process. Engaging and communicating with medical aid members and the general public regarding the basic functioning of MAFs and Namaf's role to protect consumer interests encourages the responsible use of medical aid funds' resources and reduces the risk of fraud, waste and abuse.

Therefore, internal and external training creates stability and sustainability within the industry for the benefit of all stakeholders.

ii) Coordinate:

Namaf acts as a stakeholder coordinator by connecting and facilitating communication between MAFs, HCPs and other key industry stakeholders. This industrywide stakeholder engagement creates awareness and understanding of the issues facing the industry, allows stakeholders to interact with each other, and to give input into decision-making processes that inform policy, and contributes to an effective system.

Through its role as a functional coordinator of the industry, Namaf ensures that there is no overlap or duplication between the roles and functions of different stakeholders. In future, functional coordination will include the management of a central database of claims data and medical cost structures data.

iii) Control:

Setting standards, providing guidelines on industry best practice, and publishing and enforcing regulations is central to effectively controlling the industry as a whole and defining the environment within which MAFs and HCPs operate. This framework must complement other legislative instruments within the industry in order to ensure an effective overall system. As part of the control function, Namaf is responsible for policy formulation and industry compliance in terms of Section 18 of the Medical Aid Funds Act, which underpins the market conduct regulation identity of Namaf.

iv) Encourage:

Namaf encourages compliance through engaging stakeholders in the process of formulating rules, regulations, policies and procedures. This increases stakeholder buy-in, support and participation and thus ensures a stable industry with a clear sense of direction. Through its role in the industry, Namaf also plays a vital part in amending national laws and guiding government policies.

Although Namaf is not involved in the day-to-day operations or the benefit structures of MAFs, it encourages optimal and coordinated functioning of MAFs, which includes streamlined and standardised processes and procedures, centralised data analyses, and maintenance of tariff and procedure codes.

1.3 Key Partners and Their Roles

1.3.1 Regulatory Bodies

i. Namibia Financial Institutions Supervisory Authority (NAMFISA)

NAMFISA is an independent institution established through the Namibia Financial Institutions Supervisory Authority Act, 2001 (Act No. 3 of 2001) (hereafter referred to as the NAMFISA Act) to regulate and supervise non-banking financial institutions in the financial services industry with the aim of protecting the public. As contemplated in Part II of the NAMFISA Act, the Authority is the Registrar of medical aid funds and other non-banking financial institutions, and thus all private medical aid funds must be registered with NAMFISA. As the Registrar, NAMFISA can instruct MAFs, which are deemed to be financially unsound, to take steps to rectify the situation, amend its rules, and ultimately to dissolve any MAF that fails to comply.

ii. Health Professions Council of Namibia (HPCNA)

The HPCNA is the regulator of health professionals in Namibia. All healthcare providers must register with the Council in order to practise in the medical field in Namibia. In addition, the Council defines and determines the scope of service of HCPs.

The HPCNA is made up of the following five councils, which are administered by one secretariat:

- Medical and Dental Council
- Nursing Council
- Pharmacy Council
- Social Work and Psychology Council
- Allied Health Professions Council

The registration of an HCP with the respective council involves a strictly regulated evaluation process to determine the knowledge, skills and competencies of the HCP. Upon registration, the Council issues a practitioner number.

Although Namaf has no jurisdiction over healthcare providers in Namibia, it does issue practice numbers, which are legally required if an HCP's claims are to be recognised by MAFs. These practice numbers can only be provided if an HCP has a certificate of registration from the HPCNA. As such, the Council is one of the main pillars to help Namaf determine if an HCP is qualified and thus eligible for a practice number.

Consumer complaints about an HCP's billing or treatment must be directed to the HPCNA. If such complaints relate to inappropriate interpretation of billing rules and guidelines, Namaf plays a support role in such instances by helping the Council to better understand the basis of a complaint by evaluating the procedure codes, which clearly define the separate interventions displayed in the disputed bill. This will show whether the billing approach adopted by an HCP follows the billing guidelines published by Namaf.

iii. Namibia Medicine Regulatory Council (NMRC)

The NMRC is a statutory body established in terms of the Medicines and Related Substances Control Act, 2003 (Act No. 13 of 2003) to regulate the use of medicines and scheduled substances in Namibia. The registration of medicines is the focal point of its regulatory framework.

Although the pharmaceutical industry in Namibia is regulated, the prices of medicines are not regulated. Most of the HCPs in the industry make use of MediKredit SA's NAPPI (National Pharmaceutical Product Index) codes to identify medicines and other medical products. However, these codes are not standardised across

the country, and most MAF Administrators make changes according to their needs, which leads to a lack of consistency in NAPPI codes in the country.

Since medicines make up a large portion of the total claims paid by MAFs, a need to create a standardised coding structure, which will enable proper regulation of the industry for the benefit and protection of the consumer, has been identified.

iv. Namibian Competition Commission (NaCC)

The NaCC was established in terms of the Competition Act, 2003 (Act No. 2 of 2003) to regulate competition issues across all sectors of the Namibian economy. In terms of the Act, the Commission is the principal institution to promote and safeguard fair competition in Namibia by promoting the efficiency, adaptability and development of the Namibian economy.

The NaCC and Namaf are both regulators mandated to protect the interests of consumers. As such there is an overlap in functions, which necessitates close collaboration and clearly defined roles in order to prevent duplication of efforts, conflicts or collusion.

1.3.2. Government Ministries

i). Ministry of Finance

The core mandate of the Ministry of Finance includes oversight over financial regulations, public financial institutions and the financial sector. Since NAMFISA, as Registrar of all non-banking financial institutions, reports to the Ministry of Finance, the Authority proposed changing the reporting line of the MAF Act from the Minister of Health and Social Services to the Minister of Finance.

As a result, the Ministry of Finance became Namaf's line ministry in 2016, meaning Namaf is required to submit the report contemplated in terms of Section 20(3) of the Act to the Minister of Finance.

Consequently, the Minister of Finance is now burdened with clinical issues, such as health technology assessment, clinical protocols, evidence based clinical pathways, and diagnostic, procedure and medicine coding structures, which are necessary tools for clinical risk management and governance constituting the main reason for Namaf's existence.

ii. Ministry of Health and Social Services (MoHSS)

The Ministry of Health and Social Services is mandated to oversee and regulate public, private and non-government sectors in the provision of quality health and social services, ensuring equity, accessibility, affordability and sustainability.

The Medical Aid Funds Act was created under the auspices of the Minister of Health and Social Services to provide a legal framework within which Namaf and MAFs operate. Although Namaf's reporting line was changed from the Minister of Health and Social Services to the Minister of Finance in 2016, the Minister of Health and Social Services remains a critical partner in determining Namaf's existence, continuity and sustainability. Namaf continues to provide the Minister of Health and Social Services with health-related industry data and information to inform policy decisions regarding health.

iii) Ministry of Home Affairs and Immigration

One of the primary objectives of the Ministry of Home Affairs and Immigration is to facilitate lawful migration into and out of Namibia. As part of this role, it is responsible for issuing visas and permits to foreign healthcare providers wishing to practise in Namibia. Namaf only issues practice numbers to foreign HCPs if they have valid work permits and if they comply with specific conditions stipulated in those work permits.

Close collaboration and coordination between Namaf, the Ministry and the HPCNA is essential to ensure that permits for foreign HCPs do not contradict the provisions and ethical rules of the HPCNA.

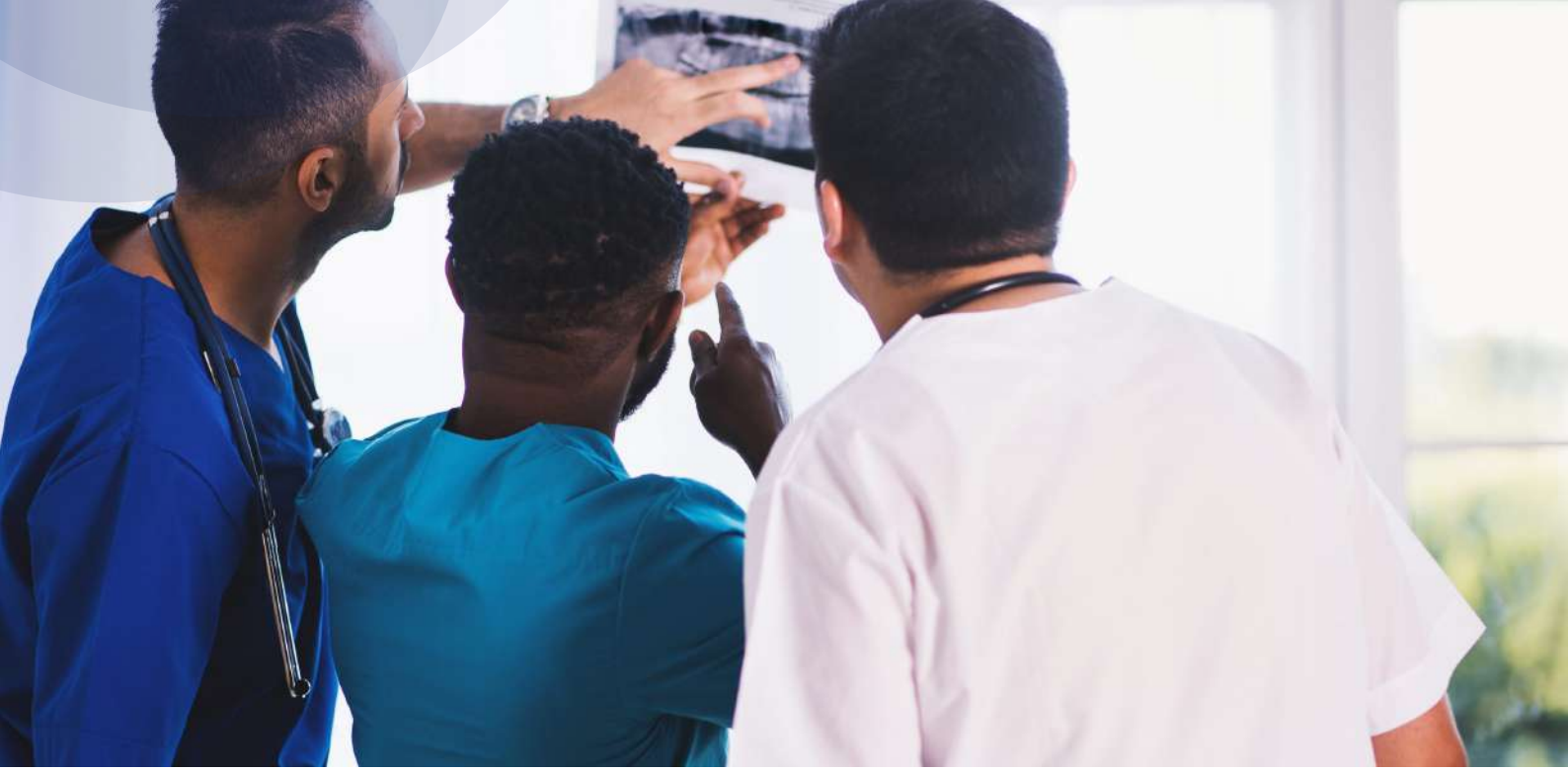
iv) Ministry of Industrialisation, Trade and SME Development

The Ministry of Industrialisation, Trade and SME Development is mandated to develop and manage Namibia's economic regulatory framework, promote economic growth and development through the formulation and implementation of appropriate policies with the view to attract investment, increase trade, and develop and expand the country's industrial base.
The Ministry also provides permits to foreign medical professionals who seek to invest in Namibia and create employment for Namibians. In order to ensure that foreign medical professionals satisfy all the requirements of the Health Professions Council of Namibia, it is essential for the Ministry to consider health-related policies before issuing permits. This is important, because HCPs can only receive a practice number from Namaf once the HPCNA has issued the relevant documentation. Similarly, the Ministry must consider the requirements that a foreign HCP's practice or surgery must satisfy in terms of the criteria of the Ministry of Health and Social Services.
Due to the nature and complexity of the healthcare industry and in the interest of protecting the consumer, collaboration and cooperation between several stakeholders is needed in the process of issuing approval of foreign investments in the medical field.

1.3.3. Associations of Health Professionals

Medical professionals from different disciplines form associations based on special fields of interest. The associations are independent of the five HPCNA councils and membership is entirely voluntary. Associations frequently seek to represent the interests of members, much like unions do.

Namaf engages these associations on industry issues that pertain to their scopes of practice as and when necessary. For example, the advancement of medical technology and treatments gives rise to new practices and the need for new procedure codes to capture these practices. In such cases, associations prepare submissions to Namaf, which are subsequently approved or denied by the Namaf Management Committee (MC).



1.4 Medical Aid Funds and Their Relationship with Namaf

Medical aid funds are Namaf's principal stakeholders. Their existence is closely linked to the establishment of Namaf through the Medical Aid Funds Act.

1.4.1. Background and Rationale

In most countries, the responsibilities associated with the provision of healthcare services lie with the government as part of its social contract with the populace. However, the extent and quality of the healthcare provided by the state can vary significantly. In market economies, this creates the opportunity for private sector healthcare professionals to offer their services and for citizens to procure healthcare services in accordance with their financial means.

The economic or commercial rationale for establishing a medical aid fund is built on the law of averages and statistical probabilities combined with the natural human inclination towards risk aversion. In the context of human health, these three forces become evident in the general recognition that, while an individual may be healthy at present, there is a risk that he/she may fall into ill health that requires minor treatment or may experience a major health event that requires treatment which the individual cannot afford.

When considering a group of persons, the odds are much smaller that all of these said persons will become ill or experience a major health event. This gives rise to risk pooling, a phenomenon where the risk of contracting a potentially impoverishing healthcare event is shared among groups of individuals, as opposed to single persons. Through this pooling of the individual health risks across multiple persons, a lower overall risk profile for the group is achievable. Thus, the concept of an MAF is similar to many other forms of collective or collaborative structures or societies where a greater return is achieved by the collective grouping than could be achieved by all of the members as individuals.

The monthly contributions that members of MAFs make provide a pool of funds which can be used for the purpose of the MAF, which is to give financial or other assistance for medical costs incurred by members in the event that members or their dependents fall ill or experience a major health event.

1.4.2. The Adoption of Legislation

In Namibia, legislation to formally regulate the type of collective activity dealing with health risks was adopted in 1995. A medical aid fund is a legal entity established under the Medical Aid Funds Act, which defines a fund as "any business carried on under a scheme established with the object of providing financial or other assistance to members of the Fund and their dependents in defraying expenditure incurred by them in connection with rendering of any medical service."

Viewed as a whole, the Medical Aid Funds Act is in essence a protective social legislation, requiring registration of funds with the Registrar, who is the Chief Executive Officer of NAMFISA. Namaf is the market conduct regulator and supervises and controls the operations of MAFs. For the purpose of achieving its objective, Section 12 of the Medical Aid Funds Act empowers Namaf to "consider any matter affecting medical aid funds or the members of such funds and make representations or take such actions in connection therewith as the Association may deem advisable and that Namaf may generally do anything that is conducive to the achievement of its object and the exercise of its powers, whether or not it relates to any matter expressly mentioned in this section."

Based on these considerations, Namaf enhanced the processes through which the legally-required practice numbers are issued to healthcare providers as a means of identifying providers and enabling Namaf and its affiliated funds to better manage their claims. In addition, Namaf publishes procedure codes and billing rules and guidelines, which serve as the communication tool between HCPs and MAFs and which help MAFs to manage fraud, waste and abuse.

1.4.3. Medical Aid Funds Affiliated to Namaf

In terms of Section 11 of the Medical Aid Funds Act, all private MAFs must be affiliated to Namaf, which supervises and controls the operations of MAFs.

i) Renaissance Health Medical Aid Fund
ii) Napotel
iii) Nammed
iv) Road Contractors Company (RCC) Medical Aid Scheme
v) Namibia Health Plan (NHP)
vi) Namibia Medical Care (NMC)
vii) BankMed Namibia
viii) Heritage Health Medical Aid Fund Namibia
ix) Namdeb Medical Scheme

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2.1 Restructuring of Namaf Governance

In order for Namaf to effectively respond to the legal mandate as stipulated in the Medical Aid Funds Act, it is essential to have a clear governance structure and reporting lines. These form the bedrock upon which risk management and a compliance framework are built. A number of changes to the governance structure were instituted in 2018 to align to the strategic directions enshrined in the Strategic Plan 2018 – 2020.

As part of this process, new Terms of Reference were drawn up for all sub-committees and two new sub-committees were established:

(i) The Clinical and Coding Committee, which took over clinical responsibilities previously under the mandate of the Affordability Committee (e.g. advising the Namaf Management Committee (MC) on the introduction of new procedure codes and the deletion of redundant ones based on technological and medical advancements).

(ii) The Statutory Affairs and Risk Management Committee, which took over the functions of the Statutory and Legal Committee, but with a wider mandate.

In order to ensure an efficient reporting and recommendation process to the MC, it was decided that the chairmanship of sub-committees must lie with an MC representative. In addition, it was necessary to recruit sub-committee members whose expertise matched mandates more closely, instead of populating the sub-committees with the Principal Officers (POs) and administrators of MAFs. Therefore, the membership of all sub-committees was revised. Members were no longer appointed but recruited based on their particular skill set.

Finally, the structure of the secretariat was reorganised in order to ensure that, going forward, Namaf has the necessary human resources to effectively implement the goals of the Strategic Plan 2018 – 2020. The new structure was approved by the MC in November of the reporting period and will come into effect in January of the next reporting period.

2.2 Management Committee

In terms of Section 13(1) of the Medical Aid Funds Act, the management of Namaf vests in the Management Committee (MC), which is expected to execute Namaf's mandate. The MC is also mandated to appoint the CEO and staff members to the Namaf secretariat.

The MC is elected by the authorised representatives nominated by all the registered medical aid funds. MAFs with more than 2,000 members nominate a maximum of two people for election, while MAFs with less than 2,000 members nominate one authorised representative. These representatives elect from among themselves seven (7) members to constitute the Management Committee of Namaf. In keeping with the provision of Section 11 of the Medical Aid Funds Act that the Association will consist of registered funds in Namibia, the Management Committee resolved to co-opt authorised representatives from the affiliated funds that did not manage to secure a place through the electoral process, as non-voting MC members.

2.2.1 Management Committee Membership

The members of the MC hold office for three years, where after they are eligible for re-election. The term of the current MC started on 12 June 2017.

Benny Amuenje
Chairperson

Lea Namoloh
Vice-Chairperson

Gabriel Tjombe
Treasurer

Glynis Labuschagne
Member

Dolly Nashandi
Member

Alison Begley
Co-opted Member

Petrie Theron
Co-opted Member

Stephen Tjiuoro
CEO (Ex-Officio)

Ella Mbahijona
Member

Desley Somseb
Member

2.2.2 Meetings

According to the Medical Aid Funds Act, the MC must meet at least four times per year with intervals of no more than 3 months. During the reporting period, the MC held five (5) ordinary and two (2) extra ordinary meetings.

2.2.3 Sub-Committees of the Management Committee

i. Affordability Committee

The Affordability Committee (AffCom) is an advisory committee without decision-making powers. Based on the new Terms of Reference adopted during the reporting period, the AffCom considers all matters relating to affordability and accessibility, but clinical issues no longer fall under its mandate as was previously the case.

Up until June 2018, the AffCom was comprised of Principal Officers and administrators from MAFs and one MC member, who acted as the chairperson:

1 January – 30 June 2018

Alison Begley	– Chairperson
Gert Grobler	– Member
Callie Schafer	– Member
Sonja Malan	– Member
Gertrud Baisako	– Member
Ella Mbahijona	– Member
Mike Baartman	– Member
Karl Weyhe	– Member
Roni Skolnic	– Member
Joern Wiedow	– Member
Beth Clayton	– Member
Elize Fahl	– Member

After the adoption of the new Terms of Reference, AffCom membership changed. Through the HR Committee, the MC recruited experts in the private medical funding industry and corporate risk management to serve on the AffCom together with two MC members:

1 July 2018 – present

Alison Begley	– Chairperson
Beth Clayton	– Member
Callie Schafer	– Member
Elize Fahl	– Member
Ella Mbahijona	– Member
Gert Grobler	– alternate Member
Hester Spangenberg	– Member
Koos Du Toit	– Member (from 1 May 2018)
Gabriel Tjombe	– Alternate Member (from 1 May 2018)

The AffCom held five (5) meetings during the year under review.

ii. Statutory Affairs and Risk Management Committee

During the reporting period, the Statutory Affairs and Risk Management Committee replaced the Statutory and Legal Committee. The new sub-committee has a wider mandate than the previous sub-committee, encompassing not only legal matters, but also risk management.

The Statutory Affairs and Risk Management Committee considers matters related to health policy; legal, statutory and forensic management; and clinical and financial risk within the healthcare funding industry. It also fulfils an oversight role in respect of relationships within the healthcare funding industry. The sub-committee makes recommendations to the MC and has no executive powers or authority.

The Statutory and Legal Committee, which was still in effect until June of the reporting period, comprised of Alison Begley (Chairperson), Callie Schafer, Sonja Malan, Roni Skolnic and Joern Wiedow. From July 2018, the new Statutory Affairs and Risk Management Committee was made up of legal and forensic management experts and two MC members:

Petrie Theron	– Chairperson
Almarie Bartsch	– Member
Bertie Gagiano	– Member
Desley Somseb	– Member
Glynis Labuschagne	– Member
Hinasha (Vicky) Mbudje	– Member
Marvin Katuvesirauina	– Member
Sumari Von Kunow	– Member

The new Statutory Affairs and Risk Management Committee had its first meeting on 17 July 2018

and held a total of three (3) meetings during the reporting period.

iii. Clinical and Coding Committee

The Clinical and Coding Committee was formed in July 2018 to consider and advise the MC on clinical matters. This responsibility was previously held by the AffCom. Among other things, the Clinical and Coding Committee deals with clinical coding, including annual coding changes, as well as risk exposure of medical aid funds and clinical risk management matters that affect the private healthcare funding industry. The sub-committee does not have executive powers.

It is made up of two MC members, HCPs and individuals with knowledge of clinical coding structures:

Dolly Nashandi	– Chairperson
Dr. Erich Mansfeld	– Member
Dr. Jacques Jonck	– Member
Dr. Reinhardt Sieberhagen	– Member
Esme Botes	– Member
Lea Namoloh	– Member
Wessels Afrikaner	– Member
Benny Amuenje	– Alternate Member
Dr. Nils Kock	– Alternate Member
Tiaan Serfontein	– Alternate Member

The Clinical and Coding Committee held its first meeting on 18 July 2018 and had a total of 3 meetings during the reporting period.

iv. Human Resources Committee

In February 2018, the MC selected from among its members, individuals to serve on the Human Resources Committee. The mandate of the HR Committee is to recruit the members of the other sub-committees, to revise all HR related policies and to advise the MC on HR related matters during the process of aligning the Namaf secretariat to the Strategic Plan 2018 – 2020.

During the reporting period, the HR Committee comprised of Lea Namoloh (Chairperson), Dolly Nashandi and Desley Somseb.

The HR Committee does not have a prescribed number of meetings per year, but rather meets as needed. The first HR Committee meeting took place on 29 May 2018. The committee held 5 meetings during the reporting period.

2.2.4 Stakeholder Forums

In the second quarter of 2013, three stakeholder forums were established with the aim of improving communication and strengthening the relationship between Namaf and its key stakeholders. The forums have no decision-making powers. Issues discussed at the forums are brought to the sub-committee mandated to handle said issues. After deliberation, the sub-committee makes recommendations to the MC, if deemed necessary.

i. Medical Aid Fund Administrators Forum

The Medical Aid Fund Administrators Forum is a stakeholder engagement forum established to discuss industry-wide issues of an administrative nature. Representatives from each of the medical aid fund administrators in Namibia and Namaf secretariat representatives attend the forum. During the reporting period, the Medical Aid Fund Administrators Forum met three (3) times.

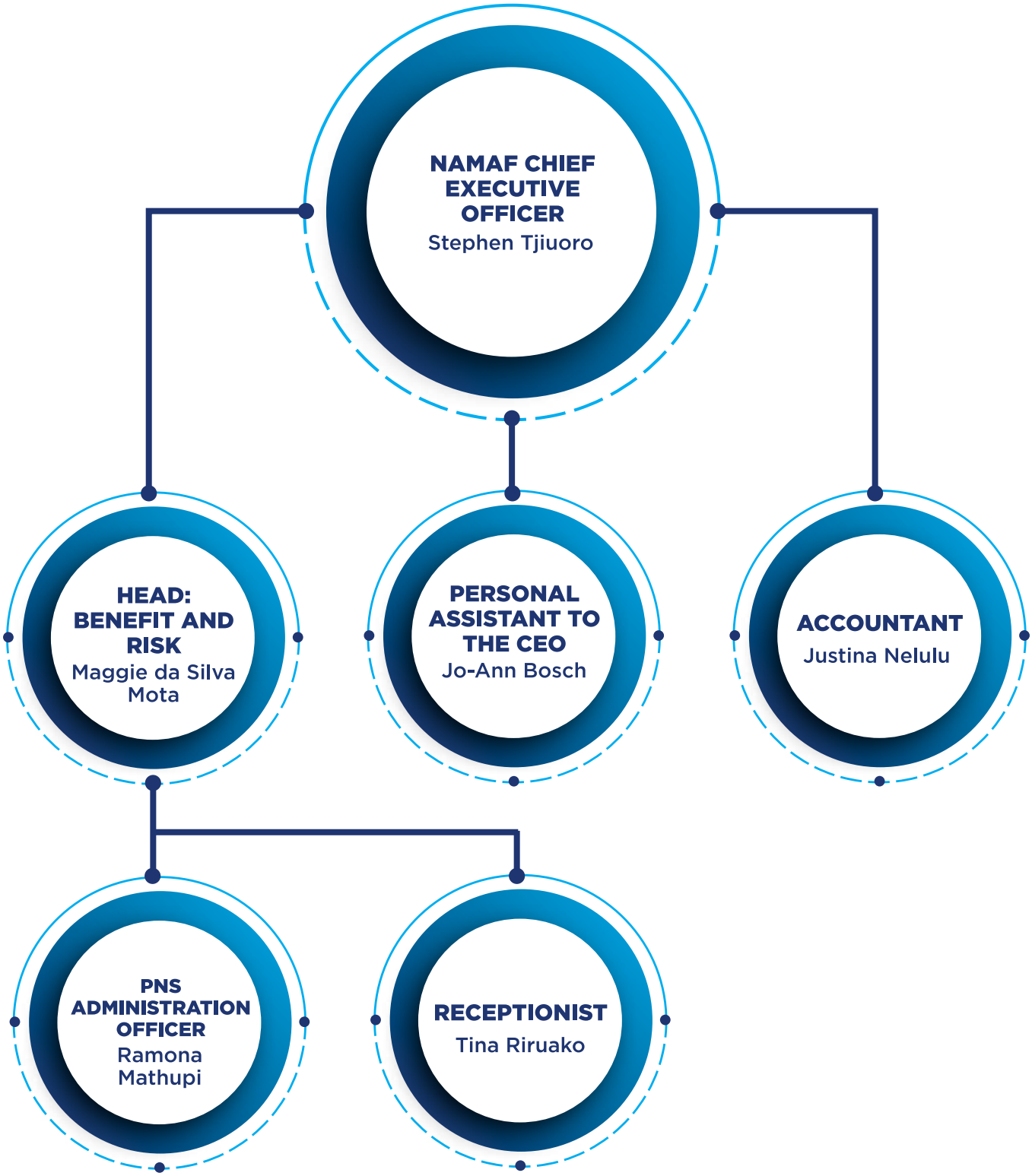
ii. Private Hospital Forum

The Private Hospital Forum was established as a joint forum for the medical aid funds industry and private hospitals to discuss issues of mutual concern. It is not a negotiation forum and thus does not discuss matters relating to tariffs or fees. Representatives of the MAFs, the private hospital industry and Namaf attend the forum. During the reporting period, the Private Hospital Forum met three (3) times.

iii. Peer Review Forum

The Peer Review Forum was intended as a platform for representatives of MAFs and private medical practitioners to consult with the Namaf secretariat regarding Namaf rules and guidelines (excluding matters relating to tariffs or fees). During the reporting period, the MC dissolved this forum for various reasons, including poor attendance from HCPs, the incorporation of parts of the forum's role into the ToR of the Clinical and Coding Committee, and direct secretariat engagement of various associations of healthcare providers on specific issues affecting the respective disciplines. During the reporting period, the Peer Review Forum held two (2) meetings before it was dissolved.

2.1 Secretariat



Stephen Tjiuoro

Maggie da Silva Mota

Jo-Ann Bosch

Justina Nelulu

Tina Riruako

Ramona Mathupi

Namaf

Namibian Association of Medical Aid Funds

Chairperson's Report

On behalf of the Management Committee, it is indeed a great pleasure to present the Annual Report of the Namibian Association of Medical Aid Funds for the period 1 January 2018 to 31 December 2018. Namaf's second annual report offers a concise account of the Association's performance, governance and outlook, as well as an overview of the medical aid industry in 2018.

The year under review was a period of change and transformation guided by the Strategic Plan 2018 – 2020. We ushered in a number of significant changes, including the reorganisation of our governance structure. Naturally, the year was not without its challenges, foremost among them the continued uncertainty created by the Financial Institutions Market (FIM) Bill, which if passed, threatens the purpose and existence of Namaf.

Nevertheless, thanks to the unwavering commitment of the MC and the secretariat, we continued to make strides in our ability to carry out our mandate as per the Medical Aid Funds Act, 1995 (Act No. 23 of 1995) to promote, coordinate, control and encourage the establishment, development and functioning of medical aid funds in Namibia.

Leadership and Corporate Governance

One of the aims of the Strategic Plan 2018 – 2020 is to improve financial sustainability by, among other things, ensuring a robust corporate governance. Thus, during the reporting period, a number of changes were made to the governance structure to align more closely to Namaf's strategic direction.

Among these changes were the establishment of two new sub-committees, namely the Clinical Coding Committee and the Statutory Affairs and Risk Management Committee, and the revision of the Terms of Reference of all sub-committees.

In addition, the membership of sub-committees was revised, with the MC recruiting individuals based on skills and expertise in line with the mandates of the various sub-committees, instead of appointing MAF administrators and Principal Officers (POs) to the sub-committees. Finally, the chairmanship of all sub-committees was moved to an MC representative, thereby ensuring a more efficient reporting and recommendation process to the MC.

I want to thank the outgoing sub-committee members for their commitment and valuable input during their tenure. Moving forward, I am confident that the new sub-committee members will continue to invest the same level of commitment as their predecessors and offer their expertise and knowledge to further Namaf's mandate.

Key Highlights

The annual plan for 2018 enabled Namaf to operate in a focused and systematic manner towards the implementation of the Strategic Plan 2018 – 2020. We achieved an average rating of 88.2% in our performance management report, indicating that we were able to carry out the majority of activities under the key performance areas of prudent financial management, ensuring internal capability, delivering on Namaf's core mandate, and Phase 1 of mapping internal processes. All remaining activities were at least partially achieved. We are encouraged by these overall positive results and will endeavor towards a perfect rating in the next financial year.

The Memorandum of Understanding between Namaf and NAMFISA was signed in May 2018. It outlines the roles and responsibilities of Namaf and NAMFISA within the medical aid funds industry under the current legal framework. Among other things, both parties committed to exploring the possibility of changing legislation to require Namaf to once again report to the Ministry of Health and Social Services, instead of the Ministry of Finance.

The core business of Namaf is clinical risk management and the tool for carrying out this function is Namaf's coding structure, consisting of practice numbers and procedure codes. During the reporting period, we noted an increase in awareness and appreciation of the purpose of Namaf's coding structure among stakeholders as a result of procedural coding training sessions held in Windhoek and Ongwediva in March, June and July. Stakeholder understanding and buy-in is critical for creating a robust coding structure, which in turn is necessary for effectively mitigating the risk of fraud, waste and abuse in the MAF industry.

Section 18(1) of the Medical Aid Funds Act provides for the development of Namaf rules and regulations in term of which the Association may take disciplinary steps against any affiliated medical aid funds. Since its establishment in 1995, the absence of these rules and regulations has seriously hampered the Association's ability to fully exercise its regulatory role. Consequently, the approval of draft rules and regulations marked a major milestone during the reporting period. Once gazetted, the rules and regulations will come into full force and effect.

Challenges

The Financial Institutions Market Bill (FIM Bill), introduced in 2012 to consolidate and harmonise the laws that govern the industries regulated by NAMFISA, is expected to be passed during the next reporting period. The FIM Bill repeals the MAF Act, except for the Chapter which provides for the establishment and functioning of Namaf. Thus, the passing of the FIM Bill will result in the purpose and roles of Namaf being taken over by NAMFISA. However, the FIM Bill does not stipulate what should be done with the liabilities and assets of Namaf, should the Bill be passed.

Thus, during the reporting period, we engaged key industry role players in critical discussions about the future of Namaf. Unfortunately, we were unsuccessful in engaging the Honourable Calle Schlettwein, Minister of Finance in our deliberations for various reasons. We are hopeful that we will be able to secure his vital input, as well as continue to liaise with other industry players, during the next reporting period.

Into the Future

Under the guidance of the MC, the systematic implementation of the Strategic Plan will forge ahead in 2019. Activities will continue to centre around meeting stakeholder expectations across several key areas; enabling processes within Namaf through data collection, cleansing, analysis and interpretation; optimising the utilisation of human, physical and digital resources; and improving financial sustainability by optimising income, efficiently using resources, and developing a contingency reserve and robust corporate governance.

In order to optimise the speed and depth of strategy implementation, an annual plan will once again be devised for 2019. It will guide Namaf's operations for the year and provide a yardstick for measuring performance and progress. In addition, ongoing information sharing and feedback from the secretariat on achievements and challenges will be vital to the successful implementation of the strategy. Over the course of 2018, our CEO and his staff have proven that they are more than capable of tackling the tasks and challenges ahead with vigour and determination.

Over the past ten years, MAF contributions (premiums) have increased by an annual average of 13.9%, which is higher than the average annual growth in national disposable income of 11.3% in the same period. This imposes severe financial pressure on MAF members. In addition, MAF principal membership only grew by 4.1% in the same period. These factors put the sustainability of the medical aid fund industry in jeopardy. Going forward, there is an urgent need to investigate the drivers of cost, to devise measures that make medical aid fund membership more affordable and to reach a more affordable rate at which contributions increase. The research sanctioned as part of the MoU between Namaf and NAMFISA is an important first step towards understanding the affordability and sustainability of the medial aid fund industry. During the next reporting period, Namaf will play a key role in the research process by providing industry claims data.

Appreciation

I would like to sincerely thank Honourable Dr. Bernard Haufiku, outgoing Minister of Health and Social Services, for his support and for helping to shape the legislative environment that enabled Namaf to make great strides in 2018. Moving ahead, we look forward to building a productive relationship with Honourable Dr. Kalumbi Shangula, Minister of Health and Social Services since December 2018. Finally, we hope to be able to work closely with Honourable Calle Schlettwein, Minister of Finance, during the next reporting period to ensure progress in important regulatory matters.

My gratitude also goes to our CEO and his team for their dedication to change management and the implementation of the strategic plan. We look forward to ongoing cooperation and collaboration as they assist Namaf to deliver effectively on its mandate.

In closing, I wish to thank my fellow Management Committee members for their commitment and expertise in delivering on their fiduciary responsibilities and ensuring good governance. I am confident that together we will continue to successfully navigate Namaf, despite the uncertainties that lie ahead.

Benny Amuenje
Chairperson of the
Namaf Management Committee

CEO's Report

As the executive leader of the Namibian Association of Medical Aid Funds, it gives me great pleasure to present the Namaf Annual Report, covering the period from 1 January to 31 December 2018.

Allow me to begin by expressing my gratitude to the Management Committee, the Chairman, my team in the secretariat and our stakeholders, especially the Ministry of Health and Social Services, the CEO of NAMFISA and his staff, the CEO of the Namibian Competition Commission, and our affiliated medical aid funds, as well as their Principal Officers and Administrators. Their phenomenal support and commitment during the 2018 financial year enabled Namaf to overcome numerous challenges and to achieve several key strategic and operational milestones. It was a year characterised by transformation and progress.

In my report, I will outline the Association's operations and finances during the reporting period. However, I will begin with an overview of risk management within the medical aid funding industry to impart a basic understanding of the complexity of the context within which Namaf operates.

Managing Risk in the Medical Aid Industry

The private healthcare industry is complex and includes a range of inter-related processes and partners. One complexity stems from the fact that medical aid funds (MAFs) face two high-level categories of risk, namely financial risk and clinical risk. The management of these two types of risk requires different approaches and skill sets. However, the objective of both financial and clinical risk management is the long-term sustainability of medical aid funds and the effective and efficient use of available resources.

Financial risk management in the healthcare environment naturally includes the prudent management of the financial health of an institution and ensuring sound business practices. In addition, it encompasses the optimal utilisation of resources – human, facilities and equipment – to maximise the amount of services that can be provided within the constraints of usually limited resources. To achieve this, overlaps and, in some instances, conflicts may arise between traditional financial management principles and optimisation of available resources. It is also important to note that while financial risk management includes the management of the conduct of financial service providers (e.g. accountants, auditors and actuaries), this conduct management must be differentiated from the management of the conduct of MAF members, healthcare service providers and decision-makers when it comes to access to and the clinical appropriateness of care provided.

Clinical risk management is primarily directed at the achievement of effectiveness and efficiencies under given circumstances, noting that no two human beings are the same and large degrees of discretion can and will be required. Broadly speaking, clinical risk management is about ensuring that the healthy stay healthy for as long as possible, minimising the impact of ill-health, and optimising the use of available resources by minimising clinically inappropriate over-utilisation of available physical, human and financial resources.

Clinical risk management pertains to the management of the clinical appropriateness of care in terms of the type of care provided under given sets of circumstances, the level at which that care took place (e.g. in-hospital versus out-of-hospital), the duration of the care, the quality and clinical outcome of the care, and the appropriateness of the billing with respect to the care provided.

Namaf contributes to the management of clinical risk through the issuing of practice numbers to healthcare providers and the publication of a clinical coding structure, billing rules and guidelines, and benchmark tariffs. In addition, continuous education and training of industry stakeholders on clinical codes, and billing rules and guidelines is essential for clinical risk management.

Review of Operations

In 2018, the secretariat's activities were focused on the implementation of the Strategic Plan 2018 – 2020, while at the same time not neglecting the day-to-day operations of Namaf.

The strategic plan is a transformation strategy aimed at putting structures and systems in place to enable Namaf to more fully exercise its core mandate. The secretariat's annual plan for 2018 lent systematic focus to change activities, and I am pleased to report that we met the majority of the identified targets for the year.

Key operational highlights

The secretariat successfully streamlined internal processes to enhance guidance to industry stakeholders. During the 2018 practice number (PN) application and renewal process, the PN draft guidelines were enforced. This meant that practice numbers were only issued or renewed for healthcare providers (HPCs) who submitted all necessary documentation and were fully compliant with the draft guidelines. As a result, HCP files are now largely up-to-date, which will ensure a more efficient PN application and renewal process going forward.

On an annual basis, Namaf consults with the various associations representing different healthcare professions on the cost linked to the procedure codes. Based on those consultations, and by looking at procedure coding and billing guidelines, the benchmark tariffs are set. During the reporting period, Namaf successfully conducted the review of procedure codes and benchmark tariffs and availed relevant benchmark tariffs to the industry.

The publication of the first ever annual report was a significant highlight in terms of communicating with stakeholders and ensuring transparency and accountability.

The Strategic Plan provided for enhancing Namaf's capability in terms of human resources, among other things. A key highlight was thus the successful completion of a skills gap analysis by Ernst & Young, which identified two key positions needed for strategy implementation and operational efficiency, namely a Head: Corporate Services and a Corporate Affairs Specialist. The Head: Corporate Services will be responsible for all legal matters, as well as HR, finance and risk management, among other support services. The challenges posed by the lack of a marketing department will be addressed by the appointment of a Corporate Affairs Specialist, who will oversee all marketing, corporate communication and public education activities.

Performance management at institutional level was enhanced through the presentation of quarterly performance reports to the MC at its statutory meetings. In addition, the secretariat submitted quarterly claims trend reports to the MC. These achievements formed part of the goal of ensuring meaningful industry reporting, as identified in the strategic plan.

In order to deliver on its mandate, it is important that Namaf efficiently performs a number of key processes, beginning with data collection, cleansing and analysis. Among other things, IT infrastructure is essential for achieving this. During the reporting period, IT specifications in terms of operational IT infrastructure, a practice code numbering database, a CRM system and data warehousing were identified, and a project plan presented to the MC. In December, the process of offsite storage and archiving of practice number files and their conversion into electronic format was initiated in collaboration with the Document Warehouse.

Since Namaf's inception, the lack of a meaningful compliance framework due to the minimal number of internal policies hampered the operations of the secretariat. During the reporting period, a comprehensive list of internal office policies and procedures was compiled, and I am pleased to report that we managed to produce 80% of these policies and guidelines.

Financial sustainability needed to be improved to enable Namaf to deliver its strategy. We kept expenditure in line with the budget (positive budget variance of 2%) and attained an investment performance of inflation +2.65, which was above the target of inflation +1.5%.

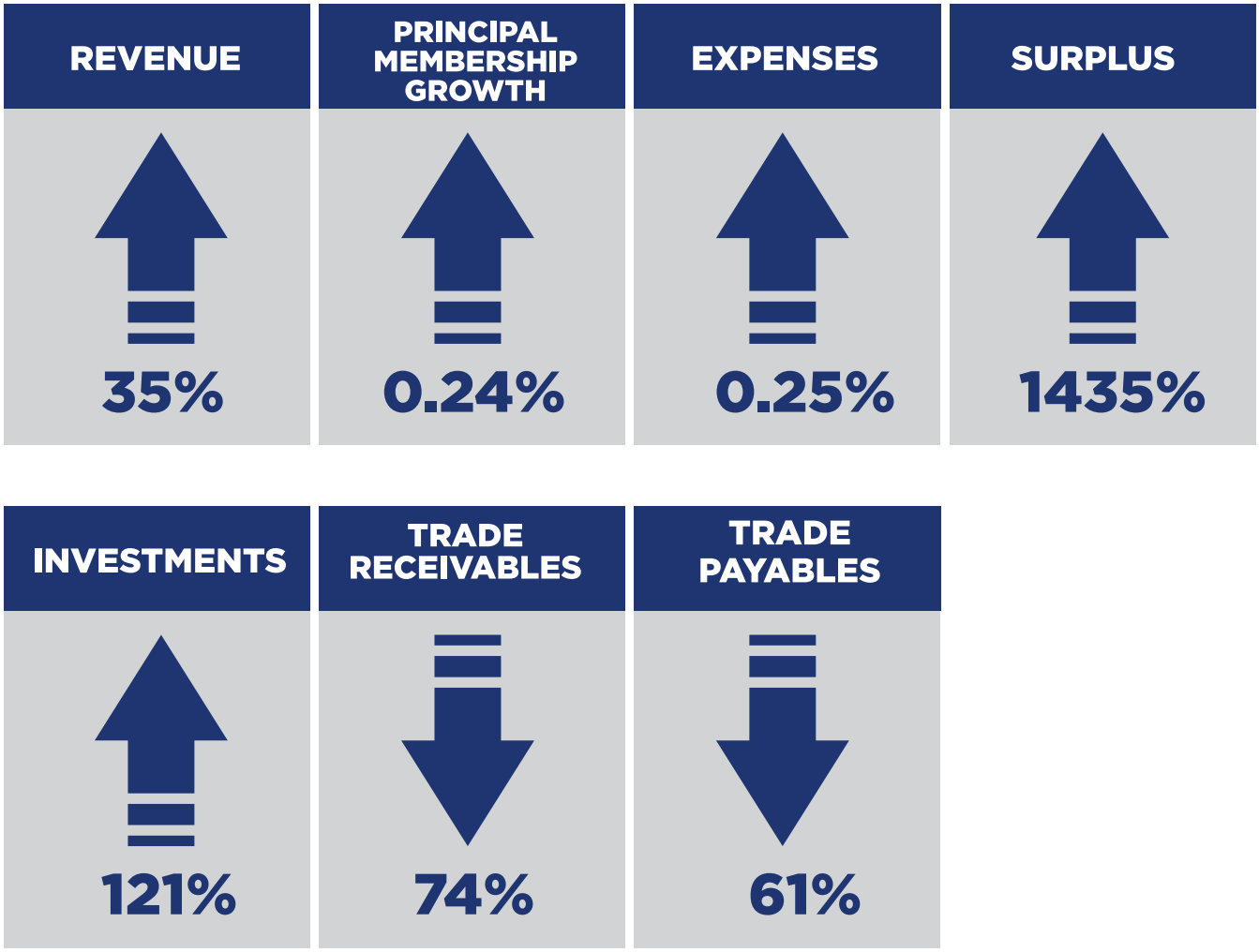
Operational challenges

Naturally, the year under review was not without its challenges. We were unable to fill the critical positions of a Head: Corporate Services and a Corporate Affairs Specialist, because the remuneration policy informing the salaries for these positions was only approved in December 2018. While the vacancy for Head: Corporate Services was advertised in November 2018, recruitment did not take place. The position of Corporate Affairs Specialist is yet to be advertised.

Part of Namaf's core mandate is to ensure that effective procedure codes are available to facilitate the prevention of fraud, waste and abuse. One of the objectives of the strategic plan was to review the relevance of existing procedure codes, including the billing guidelines. The review found that the current procedure codes are largely outdated, meaning that they do not capture the latest medical treatments and interventions. This poses a significant challenge for healthcare providers as well as medical aid funds. HCPs have to use existing codes or a combination of existing codes to be able to claim for treatments that do not have codes yet, while MAFs have to interpret and decide on the validity of these claims. Within this context, the risk of fraud, waste and abuse is high. Developing comprehensive procedure codes with accurate descriptors and clear billing guidelines is a challenging and lengthy process, which requires input from HCPs. Yet going forward, there is an urgent need to update the procedure codes in order to align to advances in medicine and more accurately reflect the current reality of the healthcare industry.

The lack of a risk management framework at Namaf is an ongoing challenge. The strategic plan identified the need to develop and introduce a risk management framework that will include risk tolerance guidelines, a risk universe, risk monitoring and evaluation matrices and a risk register. Unfortunately, this activity was not completed during the reporting period; however, significant progress was made. Namaf appointed risk management experts to the Statutory Affairs and Risk Management Committee to assist the Association to execute its risk management function. The committee approved the Terms of Reference outlining the development of a risk management framework, on the basis of which suitably qualified individuals will be able to submit proposals to assist the Secretariat with this crucial task. The request for proposals will be sent out early in the next reporting period.

Performance Review:
Financial Performance Highlights



Revenue

In the year under review, Namaf's revenue was comprised of affiliation fees from medical aid funds (76%), practice number registration and renewal fees (14%), training income (7%) and other services (2%).

Revenue increased by 35% compared to the previous year. The increase was mainly attributed to the increase in affiliation fee income.

At the 2018 budget approval meeting, it was decided to increase affiliation fees according to the annual inflationary adjustment of 6.4% and by an additional 30% to cater for the projects identified in the strategic plan, which was still under development at the time. Furthermore, it was decided that funds that remained unused from the projects identified in the future strategic plan, would be carried over to the following year.

Expenses

2018 operating expenses increased by 0.25% compared to the previous year. This was primarily attributed to:

- Board training: Three Management Committee members took part in the African Directors Programme.

- Regional and international travel expenses: Fewer trips were undertaken in 2018 than in 2017, leading to a decrease of 51% in travel expenses. During the year under review, three delegates from Namaf attended the Board of Healthcare Funders (BHF) conference in South Africa, and an official visit was made to the BHF.

- Consulting fees: There was a decrease of 73% in this expense line compared to 2017. In the previous year, consulting fees were higher due to the industry climate survey and strategy development.

- Legal fees: A decrease of 97% was recorded compared to the previous year. Legal expenses in 2017 were higher due to the court case between Namaf and the Namibian Competition Commission, which was ruled in favour of Namaf. It is also worth noting that most of the matters that Namaf used to refer to external legal advisers are now dealt with internally, resulting in substantial savings for Namaf.

- Meeting fees: There was a decrease of 48% in meeting fees compared to the previous year. Meeting fees were higher in the previous year because MC members attended the three-day Namaf strategic development session, as well as the two-day meeting with the Council of Medical Schemes in South Africa.

- Security expenses: Due to the termination of security guard services in December 2017, there was a decrease of 97% in this expense line.

- Sub-committee meetings: There was an increase of 145% in this expense line compared to the previous year. This is ascribed to the formation of two new sub-committees, namely the Clinical and Coding Committee and the Statutory Affairs and Risk Management Committee.

- Strategic projects: During the reporting period, an amount of N$575,584 was spent on projects identified in the strategic plan, including (i) the design and printing of the first Namaf Annual Report; (ii) the skills gap analysis and drafting of the remuneration policy; and (iii) stakeholder engagement.

- Telephone and fax: There was an increase of 53% compared to the previous year due to the purchase of data bundles for MC members' iPads.

Overall Surplus

Namaf recorded a surplus of N$3 million in the year under review, which is an increase of 1435% compared to last year's deficit. Namaf's annual budget for 2018 provided for an expected operating surplus of N$175,000. However, due to time constraints, some of the budgeted projects could not be carried out during the period under review. These projects included the development of an automated practice numbering system, the development of the risk management framework, and the appointment of three approved positions (Head Corporate, Communication Officer and Forensic Analyst). These projects will be carried out in the next financial year.

Investments

Investments increased from N$2,586,775 in 2017 to N$5,718,947 in 2018, which is an increase of 121%. The increase is ascribed to the deposit of N$2.85 million from the unutilised budget into the investment account. The average interest rate earned in 2018 was 7.9% (7.6% in 2017).

Looking ahead to 2019

A key activity planned for the next reporting period is the full automation of the practice number registration and renewal process to ensure efficiency and systematisation. In addition, in order to maximise efficiency and improve communication with healthcare professionals during the process, we envision deploying a designated administrative staff member to coordinate PN registration and renewal. In the past, we employed several temporary staff which, while necessary to ensure timely completion of renewals and registrations, led to the same applications being handled by several staff members, which in turn meant that the process and communication was not always as systematic as it could have been.

We anticipate that the PN draft guidelines, which were already applied during the 2018 registration and renewal process, will take legal effect in 2019 after ministerial approval and subsequent publishing in the Gazette. Publication of these guidelines will mark a significant milestone in Namaf's ability to fully exercise its regulatory role.

In addition, attraction of key staff is a high priority moving forward in order to ensure strategy implementation and delivery of Namaf's mandate. The Head: Corporate Services will be recruited in 2019 and the Corporate Affairs Specialist in 2020.

The secretariat is committed to continue exercising its mandate and implementing its strategic goals, even though the future role and existence of Namaf is uncertain due to the Financial Institutions Market (FIM) Bill. Although the FIM Bill does not formally repeal the Medical Aid Funds Act, it does seem to aim to transfer all regulatory powers with respect to medical aid funds to NAMFISA. Our concern is not whether the MAF Act will be repealed or whether Namaf will continue to exist. Instead, we are concerned that the FIM Bill focuses almost exclusively on the supervision of financial and related matters of MAFs, while the management of clinical risk and the conduct of members and service providers is not addressed, except for a brief reference to managed health care. This is problematic because focusing on financial supervision alone could destabilise the medical aid funding industry. It is imperative that these matters and their ramifications not only for Namaf, but the medical aid funding industry as a whole, are discussed prior to the promulgation of the FIM Bill as an Act of parliament. Thus the secretariat will continue its efforts to engage various stakeholders in consultations next year.

In conclusion, leading an organisation through change can be difficult; however, it is made less so by a supportive Management Committee and dedicated staff. I have the greatest admiration for both, because throughout the year they remained unwavering in their commitment to promote a healthy medical aid industry that offers value to its beneficiaries in terms of access to quality healthcare services.

I am profoundly grateful to the Management Committee, under the able leadership of Mr. Benny Amuenje, and the secretariat and stakeholders for another year of collaborative effort towards the realisation of our strategic plan. Going forward, we will continue to adhere to good governance and sound financial management, and face 2019 armed with the commitment to forge ahead with the implementation of our strategic goals.

Stephen Tjiuoro
Chief Executive Officer of the
Namibian Association of Medical Aid Funds

3 CODIN STRUC

NG
UCTURE

Namaf's procedure coding structure consists of five elements:

1

A numeric or alpha-numeric code that is unique and designed to facilitate:

- Electronic communication between parties
- Accurate submission and processing of claims
- Data analyses

2

A descriptor that provides the description in words of each of the codes and must have the following characteristics:

- It must be unique
- The wording must be unambiguous and lend itself to the same interpretation by all parties concerned
- It must describe the full service of procedure

3

A relative unit value which is related to the average duration of a procedure or service, adjusted for:

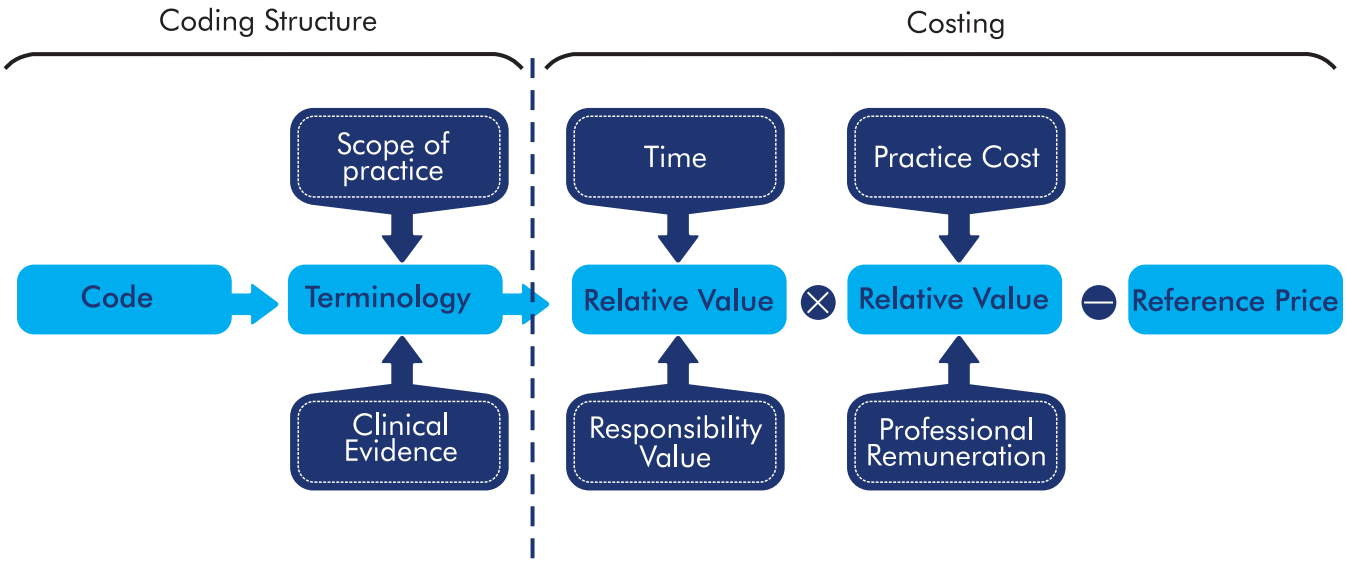
- The relative complexity of the procedure
- The relative levels of skill and expertise required to perform the procedure or provide the service
- The relative risk associated with a procedure or service

4

A monetary conversion factor which represents the reasonable average cost of providing service or performing a procedure, noting that such costs will inevitably vary by specialty or service provider type

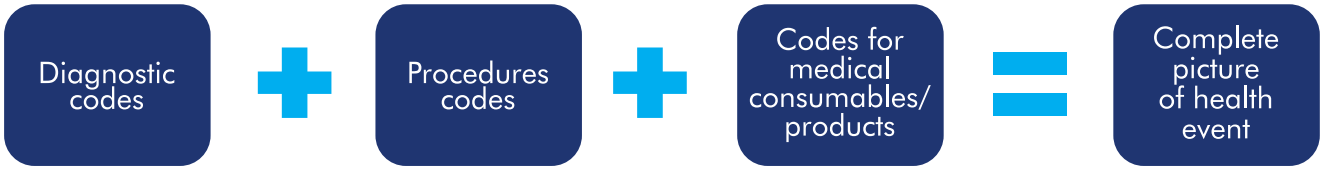
5

The relative value units are multiplied by the monetary conversion factors to determine the benchmark tariffs for each service or procedure.



While the procedure coding structure is well established in Namibia and functions effectively within the medical aid industry, it does not suffice to fully capture all aspects of a health event and related services.

In order to create a more comprehensive coding structure, diagnostic codes and codes for ethical, surgical and consumable products need to be adopted by Namibia.

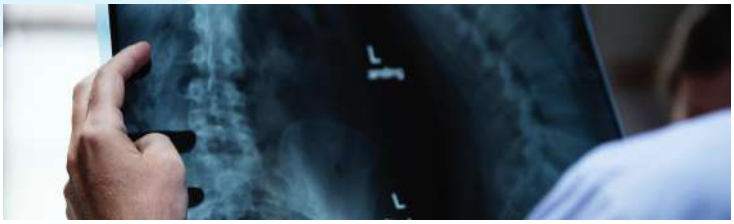


Used in tandem, these coding structures create a full picture of all stages of a medical process:

> The patient arrived with these symptoms (represented by diagnostic code) and we performed these procedures (represented by procedure code) and prescribed these consumables/products (represented by medical consumables/products code)

This comprehensive framework is fundamental to the design of MAF benefits, as well as the mitigation of fraud, waste and abuse within the medical funding industry.

Explanations of the different coding structures and their importance for the proper functioning of the MAF industry in Namibia follow.



3.1 Diagnostic codes

The International Classification of Diseases and Related Health Problems (ICD), developed by the World Health Organization, is the international standard for facilitating and organising the communication of a diagnosis of a patient's condition. The ICD coding structure is currently in its 11th Revision, called ICD-11. Among other things, ICD-11 is used to translate diagnoses of diseases and other health information into an alphanumeric code, which allows storage, retrieval and analysis of the data. For example, J03.9 is the ICD-11 code for acute tonsillitis (unspecified), and G40.9 denotes epilepsy (unspecified).

Namibia has not implemented a diagnostic coding structure. Implementation of ICD-11 on a national level is a necessary next step to improve the mitigation of fraud, waste and abuse within the medical industry, and to facilitate communication between industry stakeholders when describing the diagnosis of health events.

ICD implementation is a multi-stage process which takes many years. If it is to be effective, ongoing training of all stakeholders within the industry on a national level is required. Once Namibia adopts the ICD coding structure, it will become the compulsory industry standard, meaning that all HCPs will be legally required to use the ICD-11 codes when interacting with medical aid funds.

3.2 Procedure Codes

The International Classification of Diseases and Related Health Problems (ICD), developed by the World Health Organization, is the international standard for facilitating and organising the communication of a diagnosis of a patient's condition. The ICD coding structure is currently in its 11th Revision, called ICD-11. Among other things, ICD-11 is used to translate diagnoses of diseases and other health information into an alphanumeric code, which allows storage, retrieval and analysis of the data. For example, J03.9 is the ICD-11 code for acute tonsillitis (unspecified), and G40.9 denotes epilepsy (unspecified).

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It is important to note that procedure codes represent compulsory industry standards, meaning that all HCPs are legally required to make use of them when interacting with medical aid funds. These codes can be described as a 'common language' that is applied by all parties in order to ensure common understanding.

As part of the procedure codes, Namaf publishes **billing guidelines** and rules.


3.2.1 Billing guidelines and rules

Billing rules and guidelines form integral parts of the Namaf procedure coding structures. They represent standards according to which the coding structures should be used, notably with respect to:

- Who may or may not use the codes;
- Codes that may and may not be used together;
- The circumstances under which codes may or may not be used; and
- The circumstances under which codes may be combined.

Given that coding systems refer to average situations, i.e. the average care that an average patient will require under average circumstances, provisions must be made for deviations from average circumstances. Such provisions are made through so-called modifiers that allow for adjustments to be made when actual circumstances deviate from the average.

3.2.2 Benchmark tariffs

As mentioned, the benchmark tariffs are determined by multiplying the relative value of a procedure with the monetary conversion factor pertaining to that procedure or service and/or practitioner or facility type. The relative values can be benchmarked against international norms and standards, to the extent that these are available, and this benchmarking assists with obtaining credibility. However, the monetary conversion factors should be based upon input costs and these necessarily vary by country and region, meaning that international benchmarking is less feasible. Ideally, they should be based on so-called practice cost studies, but these are also fraught with technical challenges in addition to being essentially unaffordable to carry out, especially in a small market like Namibia.

With this in mind, Namaf conducted a survey of billing behaviours of healthcare providers in 2009. The results of the survey showed that most healthcare providers were charging Namaf benchmark tariffs at the time, without co-payments to their patients. The conclusion was that the benchmark tariffs were reasonable at that stage and a strategy was adopted to maintain those levels adjusted for inflation, noting that different inflation factors will apply to different healthcare provider types.

The Namaf inflation adjustment model takes six input factors into account and the relative weights vary by healthcare service provider type. The annual increases for each of the input factors are derived from information that is available in the public domain, but providers are invited to make submissions motivating extraordinary increases or changes in the weighting factors applied.

Namaf-affiliated MAFs may accept these benchmark tariffs but are not bound to adhere to them. At their discretion, MAFs may use a completely different set of tariffs to cost their benefit packages in order to differentiate their benefit options from other MAFs. In other words, the benchmark tariffs, unlike the procedure codes and billing guidelines, are not binding or prescriptive.

Similarly, it is vital to understand that benchmark tariffs in no way prescribe what a healthcare provider can or should charge a patient for a specific treatment or service. The healthcare provider can charge more or less than the benchmark tariff, subject to his/her preference. When a healthcare provider charges more than the relevant MAF's benefit tariff for a treatment or service, which is very often the case, then the MAF will only pay the benefit tariff amount and the patient is usually responsible for paying the difference.

3.3 Codes for Ethical, Surgical and Consumable Products

The National Pharmaceutical Product Index (NAPPI) codes used in South Africa identify and classify ethical (e.g. medicines), surgical (e.g. protheses, surgical instruments) and consumable (e.g. gloves, syringes) medical products.

NAPPI codes enable electronic transfer of information throughout the healthcare delivery chain. Service providers and medical aid funds are able to identify items and medicines used in the course of a patient's treatment as well as the prices of these items and medicines by using the NAPPI codes.

Namibia does not have its own national standard (NAPPI) coding structure that captures ethical, surgical and consumable products. However, during the reporting period, the Namaf MC directed the secretariat to engage the Minister of Health and Social Services to appoint MediKredit SA to develop a NAPPI coding structure for Namibia. These codes will enable the development of a price file to capture single exit prices of items identified by the NAPPI codes. The single exit price of an item will be determined by factors such as the manufacturer's selling price, transport costs, overheads and markup. The current lack of a price file means that there is no benchmark price for medicines and medical products, leaving suppliers set prices in the absence of a system for determining the reasonability of such prices.

Once they come into effect, NAPPI codes will represent compulsory industry standards that all HCPs are legally required to use when interacting with medical aid funds.

NAPPI codes will be another important tool for Namaf to mitigate the risk of fraud, waste and abuse.

> In conclusion, a comprehensive coding structure is the best risk management strategy for fraud, waste and abuse in the industry and an effective tool for controlling expenses. Therefore, it is essential for Namibia to adopt IDC-11 and NAPPI codes to complement Namaf's existing procedure coding structure.

4 OPERA

RATIONS

4.1 Registration and Renewal of Practice Numbers

In accordance with Section 5(1) of the Medical Aid Funds Act, Namaf issues practice numbers (PNs) to healthcare providers. This includes new registrations as well as annual renewals of practice numbers.

Practice numbers are a means of identifying healthcare providers and are linked to a scope of practice, which in turn links to procedure codes specific to the scope. Essentially, this information defines the procedures that an HCP is allowed to perform and bill patients for. Thus, the practice numbers, which are a requirement for claiming from MAFs, enable Namaf and its affiliated funds to manage claims. The claims data received from MAFs allows Namaf to identify irregularities and link these to the HCPs through the practice number. As such, practice numbers are part of the risk mitigation process aimed at consumer protection.

Administering the practice number system is part of the core business of Namaf. Mandatory PN renewals and registration of service providers is scheduled to take place from January to April every year. During the reporting period, Namaf issued 391 new registrations, renewed 1,878 practice numbers, and revoked or suspended 116 practice numbers. In addition, 78 practice numbers were deactivated on request of healthcare practitioners.

Namaf extended the deadline for applications to 31 May 2018, and suspensions for non-payment and/or non-compliance with Namaf draft guidelines on practice number registration and renewal procedures came into effect on 1 June 2018. The extension was granted in order to deal with the backlog in updating HCP files in line with the Namaf draft guidelines. Although these were issued during the previous reporting period, they were not yet enforced, meaning that many HCPs did not submit all necessary documentation in 2017. In 2018, however, practice numbers were only issued or renewed for HCPs who were fully compliant with the draft guidelines.

The secretariat recruited temporary staff to assist with the process. While this was necessary to manage the workload, it meant that HCPs potentially dealt with several different people over the course of their application process, which lead to frustration and gaps in communication. From the next reporting period onwards, Namaf will recruit one individual to handle applications and interaction with HCPs during the process. This will allow for a more streamlined and efficient process.

4.2 Coding Structure Developments

Medical and surgical consumables and products (e.g. medicines) make up a large portion (17%) of the claims received by MAFs. Yet the absence of a coding structure for these consumables and products leaves this unregulated area of the industry vulnerable to fraud, waste and abuse.

Many Namibian HCPs and most medical aid fund Administrators make use of MediKredit South Africa's NAPPI codes to identify medicines and other medical products. However, not all medicines and products available in Namibia are captured in the South African codes. As a result, HCPs make changes to the codes in an effort to reflect the Namibian landscape, leading to a lack of standardised codes in the country.

In addition, these codes are not legally binding within the industry, meaning HCPs do not have to use them when interacting with MAFs.

In November 2018, the then Minister of Health and Social Services, Dr Bernard Haufiku, endorsed the appointment of MediKredit SA to develop a NAPPI coding structure specifically for Namibia. However, since approval was only given in principal, approval in writing will have to be sought during the next reporting period from the new Minister of Health and Social Services, Dr Kalumbi Shangula, who took office in mid-December 2018.

After approval from the Minster, a project plan will be devised during the next reporting period. The plan will, among other things, make provision for the appointment of a NAPPI Code Board comprised of stakeholders from the pharmaceutical and medical and surgical products industry. The Board will oversee the introduction of NAPPI codes in Namibia as well as the addition of new NAPPI codes, as and when needed.

4.3 Stakeholder Relations and Marketing

4.3.1 Namaf attendance at industry engagements

During the reporting period, Namaf attended the following industry engagements:

i) NMS Congress in Ongwediva
ii) Dental Therapy Association Congress in Swakopmund
iii) NAMMED Board of Trustee Meeting in Windhoek
iv) Renaissance Medical Aid Fund Strategic Session in Windhoek

4.3.2 Training and information sessions arranged by Namaf

Training and education of stakeholders is central to Namaf's function to promote the establishment, development and functioning of medical aid funds in Namibia. During the reporting period, Namaf conducted the following training interventions, all of which focused on procedure coding structures and billing guidelines and rules:

i) Procedural Coding Training covering the following aspects:

- Basic Coding Training for Medical Practitioners
- Intermediate Coding Training for Medical Practitioners
- Hospital Billing and Coding Training
- Anaesthesia Coding Training
- Dental Coding Training
- Five Digit Radiology Coding Training
- Physiotherapy Coding Training

Three procedural training sessions were held during the reporting period, two in Windhoek in March and July, respectively, and one in Ongwediva in June. In total, 232 people (33 MAF administrators and 199 healthcare professionals/their staff) attended the training sessions. A thorough understanding of coding structures is essential for the proper functioning of the industry and the mitigation of fraud, waste and abuse.

i) **Trustee Development Training** was held in Windhoek from 20 – 21 July to develop the skills of the trustees serving on the Boards of Trustees of the affiliated MAFs. The training was attended by 52 trustees and other industry stakeholders.

Namaf also conducted the following information sessions during the reporting period:

- Engagement session with the Emergency Care Practitioners Association at the Namibia University of Science & Technology (NUST) to create awareness of Namaf's operating procedures and business processes and how this cluster of stakeholders can interact with Namaf.
- Coding submission and benchmark tariff announcement sessions in Windhoek.

4.3.3 Marketing

Marketing is a major component of the 'promote' function of Namaf. Currently, the Namaf website is the only marketing tool. The new organogram makes provision for the appointment of a Corporate Affairs Specialist, who will be responsible for marketing, public awareness creation and corporate communications.

4.4 Change Management: Implementation of the Strategic Plan 2018 – 2020

The Namaf Strategic Plan 2018 – 2020 is a transformation strategy devised to bring about the change necessary for the optimal functioning of Namaf. Based on the strategy, the Namaf secretariat developed an annual plan for the 2018 reporting period to guide operations and measure performance and progress.

Highlights of the implementation in selected Key Performance Areas follow.

4.4.1 Prudent financial management

i) Skills gap analysis and skills development

Namaf contracted Ernst & Young to conduct a skills gap analysis to identify the skills needed for the execution of the strategic plan. The report received in July 2018 was approved by the MC and gave impetus to the development of a new organogram, additional positions and revised job descriptions. The MC then approved the appointment of PricewaterhouseCoopers to cost the skills identified in the Ernst & Young report.

In order to develop critical skills (as identified in the skills gap analysis) in key personnel, two staff members received training in Business Process Management, and three staff members were trained in procedure coding structures.

ii) Identifying required capabilities

The development of the new organogram was based on the report by Ernst & Young and enabled Namaf to identify the required capabilities to execute the strategic objectives. In November 2018, the MC approved the organogram and creation and costing of new positions, namely Head: Corporate Services, and Corporate Affairs Specialist.

The new secretariat structure will be implemented from January 2019. The vacancy for Head: Corporate Services was advertised towards the end of the current reporting period and recruitment will take place early in 2019, while the position of Corporate Affairs Specialist will be filled in the 2020 financial year.

iii) IT infrastructure
The secretariat developed draft specifications for an integrated IT infrastructure and proposed a project plan to the MC. The MC approved the project plan.

The automation of the administration of practice numbers is one of the key components of the project plan. In December 2018, the secretariat took the first steps towards a paperless, fully-automated environment by contracting Document Warehouse to create an online practice number database. Authorised Namaf personnel will be able to access and update HCP files.

The PN database will work in tandem with the planned automated registration and renewal process, which will allow HCPs to register, renew and pay fees online. This will greatly simplify PN registration and renewal for all parties involved.

The full automation of PN registration and renewal was initially planned for 2018. However, since the procurement policy was only approved late in the reporting period, it was not realised. The tender to select a service provider for the automation of the process will go out early in the next reporting period. This will pave the way for a fully automated system by the 2020 PN registration and renewal.

4.4.3 Delivering on Namaf's core mandate

i) The development PN registration and renewal guidelines
During the previous reporting period, the MC approved the first draft of the guidelines for practice number registration and renewal. During the first half of the reporting period, Namaf received overwhelming feedback from professional associations, societies and individual healthcare providers, based on which a second draft was prepared and circulated to the industry in October 2018.

In addition, Namaf engaged with the license holder of the practice number code system in June 2018 regarding the development of new practice number types and disciplines. These will assist Namaf to issue practice numbers to healthcare providers in line with the guidelines

It is anticipated that the process of converting the guidelines into regulations will commence by the end of 2019.

ii) The development of industry guidelines
As per section 18 of the Medical Aid Funds Act, Namaf is responsible for publishing rules specifying the acts or omissions in respect of which the management may, in terms of this Act, take disciplinary steps against any registered fund. Ideally, this responsibility should have been carried out soon after Namaf's establishment in 1995. However, the first version of industry guidelines was only drafted during the current reporting period.

The approval of the draft industry guidelines by the MC in November 2018 marked a significant milestone. The industry guidelines were submitted to the law firm ENSafrica for a constitutional compliance check, and feedback is expected early in the next reporting period. Once gazetted, the industry guidelines will become statutorily binding for all MAFs.

Approval of the draft rules and regulations by the Minister of Finance will be sought during the next reporting period.

The publication of the rules and regulations in the Gazette will mark a major milestone, because it will give Namaf the power to take disciplinary actions against MAFs and thus to exercise its regulatory role effectively, which it has been unable to do since its establishment in 1995.

During the reporting period, a draft Code of Conduct was developed in tandem with the industry guidelines. Together, these documents guide market conduct regulation. The draft Code of Conduct was approved by the MC and submitted to the POs of MAFs for input. The draft will then be presented at the Annual General Meeting in 2019 for adoption.

4.4.4 Internal processes and policies

Since its inception, Namaf has operated many areas of its business in the absence of approved internal policies, thus rendering it difficult to apply a meaningful compliance framework. Consequently, an urgent need for internal policies aligned to the Strategic Plan 2018 – 2020 was identified during the previous reporting period.

Procedure code and benchmark review guidelines were drafted during the reporting period and submitted to stakeholders for input. It is anticipated that the process of converting the guidelines into regulations will commence by the end of 2019.

The secretariat devised a list of ten internal (10) policies that Namaf should have, in addition to the five (5) policies drafted and approved before 2018. Of the 10 policies identified for 2018, five (5) were completed and approved during the reporting period, two (2) are a work in progress and three (3) must still be drafted.

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> In conclusion, a comprehensive coding structure is the best risk management strategy for fraud, waste and abuse in the industry and an effective tool for controlling expenses. Therefore, it is essential for Namibia to adopt IDC-11 and NAPPI codes to complement Namaf's existing procedure coding structure.

5.1 Background

At inception in 1995, the MAF Act distinguished the registration of medical aid funds and financial supervision from the establishment, development and functioning of medical aid funds in Namibia. The Act also provided for two distinct entities, namely the Registrar and the Association of Medical aid Funds (Namaf), with specific provisions on what each of these entities was expected to do in terms of the MAF Act.

In terms of section 3 of the MAF Act, the Minister of Health and Social Services was to appoint the Registrar from among staff serving the MoHSS, subject to the laws governing Public Service.

The Registrar had the following responsibilities in terms of the Act:

a) Financial oversight in terms of section 4
b) Registration of Medical Aid Funds in terms of section 24
c) Approval of amendments to the rules of Medical Aid Funds
d) Termination of the business of a Medical Aid Fund

To the extent that it was considered appropriate for the Registrar to keep abreast of all the developments in the industry, section 15(2) made provision for the Registrar to attend any meeting of the Association.

In 2001, the CEO of NAMFISA became the Registrar of all non-banking financial institutions as per the NAMFISA Act. As a result, and by extension of this role, the CEO of NAMFISA assumed the responsibilities of the Registrar of medical aid funds. Thus. the financial oversight, registration and termination of medical aid funds within the MAF industry was removed from the mandate of the then Registrar appointed by the Minister of Health and placed under the mandate of the CEO of NAMFISA, who reports to the Minister of Finance.

In 2016, NAMFISA managed to have the line oversight of the MAF Act changed from the Minister of Health and Social Services to the Minister of Finance.

Since the MAF Act created Namaf with the object to promote, control, encourage and coordinate the establishment, development and functioning of medical aid funds in the country, the oversight function of how medical aid funds conduct business is within the legislative competence of Namaf, as captured by the provisions of section 12:

For the purposes of achieving its objects, the Association may among other things:

a) Consider any matter affecting medical aid funds or the members of such funds and make representations or take such action in connection therewith as the Association may deem advisable and
b) That the Association may generally, do anything that is conducive to the achievement of its objects and the exercise of its powers, whether or not it relates to any matter expressly mentioned in this section.

Namaf's function with respect to the management of market conduct in the medical aid funding industry is widely misunderstood. Market conduct in a healthcare funding industry typically comprises of two elements:

Financial conduct that relates to ensuring sound business practices and financial prudence and behavioural conduct that relates to the protection of members' interests and the application of sound clinical risk management practices. The latter largely pertains to adequate and appropriate covering of medical expenses and defraying medical claims by medical aid funds. Thus, clinical market conduct pertains to risk pooling mechanisms, matching available benefits of medical aid funds with the burden of disease, and effective application of coding structures to facilitate smooth processing of claims in such a way as to mitigate the risk of fraud, waste and abuse.

MAF Market

Access

- Availability of resources
- Geographical challenges
- Availability of benefits

Affordability

- Ability to pay
- Health inflation vs. salary inflation
- Out-of-pocket expenditure

Sustainability

- Risk pooling
- Reserve building
- Cross-subsidisation

Quality

- Cost
- Clinical outcomes
- Patient satisfaction

The table below summarises the different roles that Namaf and NAMFISA should fulfil according to the MAF Act.

Namaf – Conduct Supervision	NAMFISA – Prudential Supervision
• Consumer protection - Correct usage of coding structures - Adherence to industry guidelines (Section 18) • Screening of HCPs – practice numbers • Risk management strategies (data analysis) • Customer (health-related) complaints handling • Awareness creation • Stakeholder engagement	• Risk-taking practices • Capital adequacy • Viable business models • Internal governance processes • Risk management arrangements

It becomes clear that NAMFISA and NAMAF are intrinsically linked by the MAF Act in which their respective roles / functions can never be separated. Therefore, close collaborations between the entities is vital, if they are to succeed in regulating this industry.

The opportunity presented by the FIM Bill, which is anticipated to be tabled in 2019, should be exploited in a constructive manner to realise role clarity going forward.

5.2 Memorandum of Understanding

In order to balance and clarify the roles of Namaf and NAMFISA, a Memorandum of Understanding was drafted in the previous reporting period.

The MoU was signed on 24 May 2018. It outlines the terms and details of an understanding, including each party's requirements and responsibilities within the medical aid funds industry. Although not a legally binding document, it commits to exploring the possibility of changing legislation to require Namaf to once again report to the MoHSS, instead of the MoF.

During the reporting period, NAMFISA and Namibian Competition Commission (NaCC) drafted research proposals to investigate the future of the medical aid fund industry. As part of the MoU, Namaf will provide industry claims data to inform the research.

The NAMFISA study will focus on the affordability and sustainability of the medical aid fund industry. It will investigate the factors driving healthcare cost, how rising MAF contributions affect membership growth, and the impact of increasing contributions on different membership groups. The aim is to devise measures that make medical aid fund membership more affordable and to reach a more affordable rate at which contributions increase.

The NaCC study will assess how the 2017 judgement in Namaf vs NaCC impacts the jurisdiction of the NaCC, the medical professions and consumers. It will also analyse the cost trends in the provision of private healthcare services by identifying and analysing the various rules and laws that might impact price, understanding the factors behind price changes, and assessing the cost implications before and after the Namaf judgement.

In November, NAMFISA and the NaCC met with Namaf to devise service level agreements for the research and to further discuss the demarcation process between Namaf and NAMFISA.

5.3 The FIM Bill and Its Implications for Namaf

In 2012 the Minister of Finance introduced the Financial Institutions Market Bill (FIM Bill) to consolidate and harmonise the laws that govern the industries that are regulated by NAMFISA, including the medical aid fund industry.

The FIM Bill has far-reaching implications for Namaf, because it repeals the entire MAF Act, except for the Chapter which provides for the establishment and functioning of Namaf. This means that if the FIM Bill is passed, market conduct regulation of the medical aid industry (previously under Namaf's mandate) will become part of NAMFISA's mandate. Financial oversight and the function of the Registrar will remain with NAMFISA. In other words, the purpose and roles of Namaf will be entirely consumed by NAMFISA, rendering Namaf a redundant entity.

Thus, the future of Namaf will have to be discussed with key industry role player before the passing of the FIM Bill, which is expected to happen during the next reporting period.

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Fraud, Waste and Abuse (FWA) as a term refers to the inappropriate utilisation of healthcare resources in fee for service reimbursement environments. Fee for service reimbursement pertains to a system whereby healthcare service providers are compensated for components of services provided and/or procedures performed within a healthcare event, as opposed to being compensated for the event as a whole. This means that an account for a healthcare event could contain several so-called line items with an inherent incentive to maximise the number of line items on an account.

The alternatives to fee for service reimbursement models are designed to generate less line items on accounts for services provided and/or procedures performed and are generally known as alternative reimbursement models (ARMs). ARMs are mostly based on unique combinations of diagnoses and procedures, which again highlights the need for the introduction of a diagnosis coding system in Namibia.

FWA speaks to a range of misdemeanors that can occur in a fee for service reimbursement environment that are together regarded as one of the major drivers of the supra-inflationary increases in healthcare costs in the medical aid funding industries in Namibia and elsewhere in the world.

The different aspects of FWA are defined as follows:

- Fraud is a criminal offence that pertains to an intentional claiming for services not provided or procedures not performed. Put differently, fraud constitutes a deliberate misrepresentation of facts to the extent that a party has inadvertently incurred a loss, and another has inappropriately benefitted.
- Waste occurs when services that are not clinically entirely necessary are provided or resources are not used to their full potential. Unlike fraud, waste does not necessarily have a deliberate intent and is not generally associated with criminality. Waste is typically associated with so-called third-party payer systems in which some distance exists between the providers and users of healthcare services and the payers thereof. This creates an element of price insensitivity with associated over-utilisation of available healthcare resources by virtue of the fact that a third or unrelated party is carrying the cost of purchasing decisions made. This notion is also referred to as the moral hazard associated with healthcare insurance.
- Abuse occurs when loopholes in the system are used to the benefit of one or more parties. Unlike fraud, this does not pertain to benefitting from services not provided, but rather to over-claiming for services as a result of deliberate misinterpretations of aspects, such as wordings in:
    - Coding systems
    - Billing rules and guidelines
    - Fund rules and benefit schedules

Addressing FWA is key to ensuring the future sustainability of the Namibian medical aid funding industry. Thus, addressing FWA is one of Namaf's main focus areas.

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7.1 Demographics

As shown in Figure 3, the number of lives/beneficiaries covered by the medical aid funds affiliated to Namaf has grown steadily in the five years leading up to 2018, when 202,766 lives were covered.

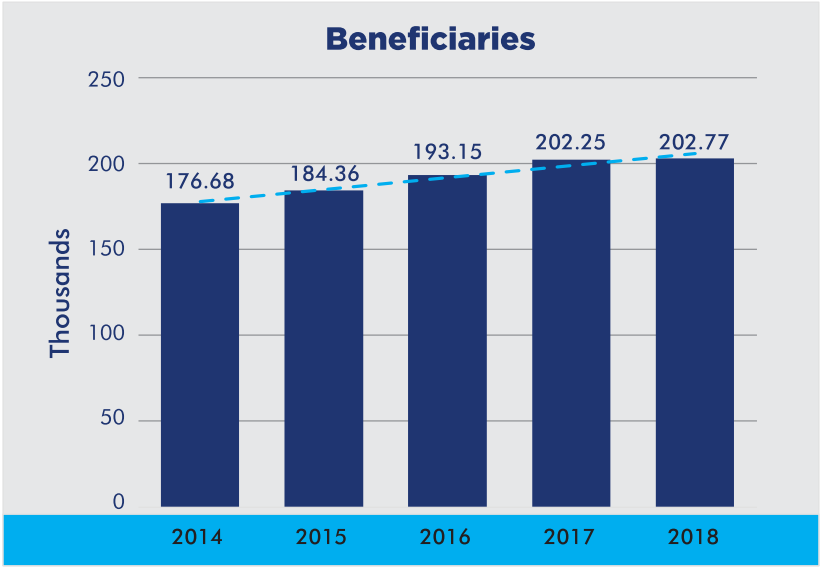

Figure 3: Number of lives covered by Namaf affiliated MAFs 2014 – 2018

Figure 4 shows the distribution between the genders since 2014, noting that the number of female beneficiaries has grown at a slightly faster rate than the number of male beneficiaries.

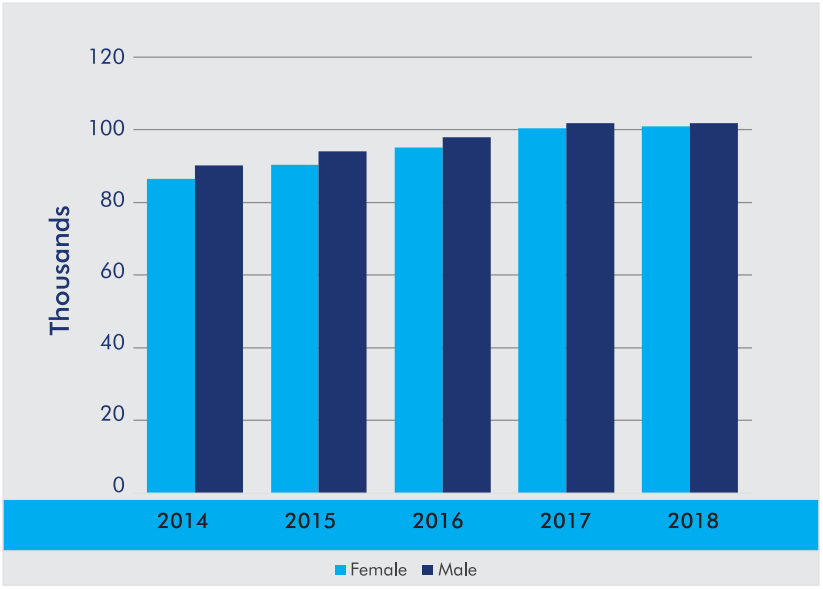

Figure 4: Gender distribution of beneficiaries 2014 – 2018

Figure 5 shows that the average age of the covered beneficiaries has remained almost constant over the five years up to 2018.

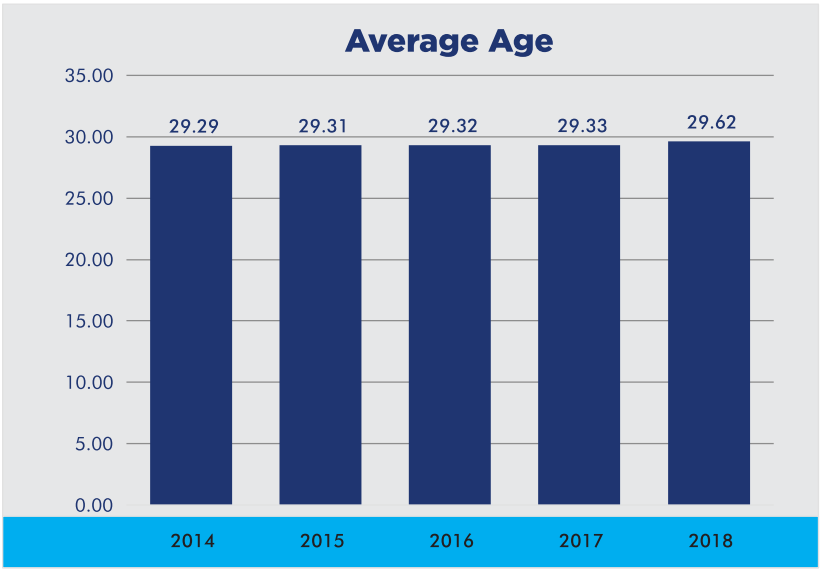

Figure 5: Age distribution of beneficiaries 2014 – 2018

The number of beneficiaries in each of the age bands for the 2018 benefit year are shown in Figure 6. It is worth noting that less than 7% of the beneficiaries of MAFs are older than 65 years of age.

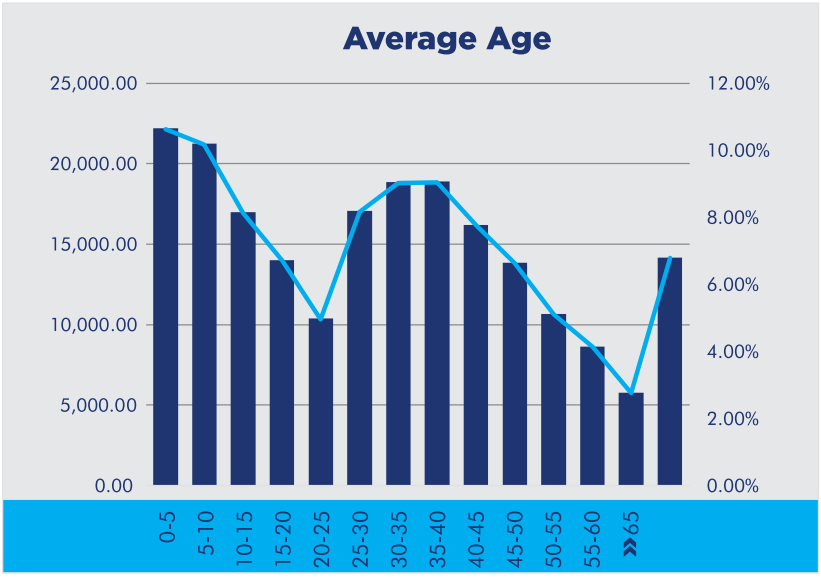

Figure 6: Age categories 2018

7.2 Healthcare Benefits

Figure 8 provides the same data as Figure 7 on a per life per month basis, which offers a perspective that is net of any membership growths or shrinkages during the period analysed.

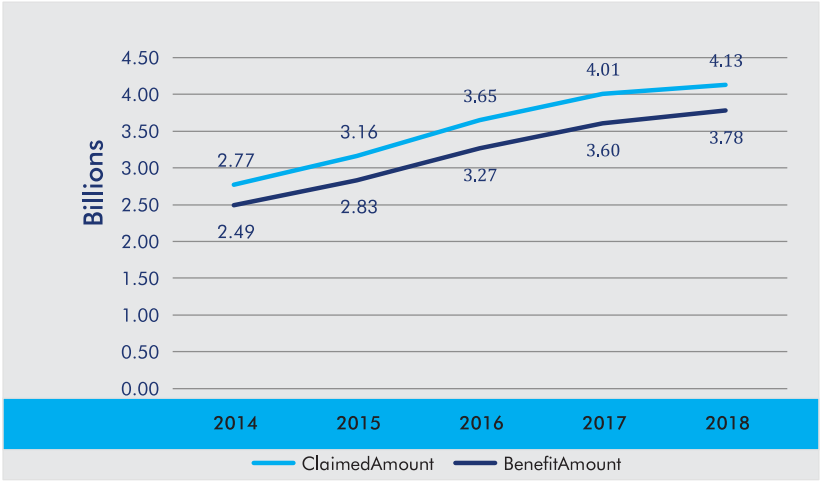

Figure 8: Average value of claims and benefits per life per month 2014 – 2018

As indicated in Figure 8, the average claims received per covered life per month increased from N$1,307 in 2014 to N$1,698 in 2018. The average benefit amounts paid increased from N$1,175 to N$1,552 over the same period.

The difference between the claims received and the benefits paid decreased from N$391 per average beneficiary per month to N$377 per average beneficiary per month.

Of the benefits paid in 2018, hospitals account for 35% of the benefits paid, medicines for 17%, medical specialists for 11% and general practitioners for 9% (see Figure 9).

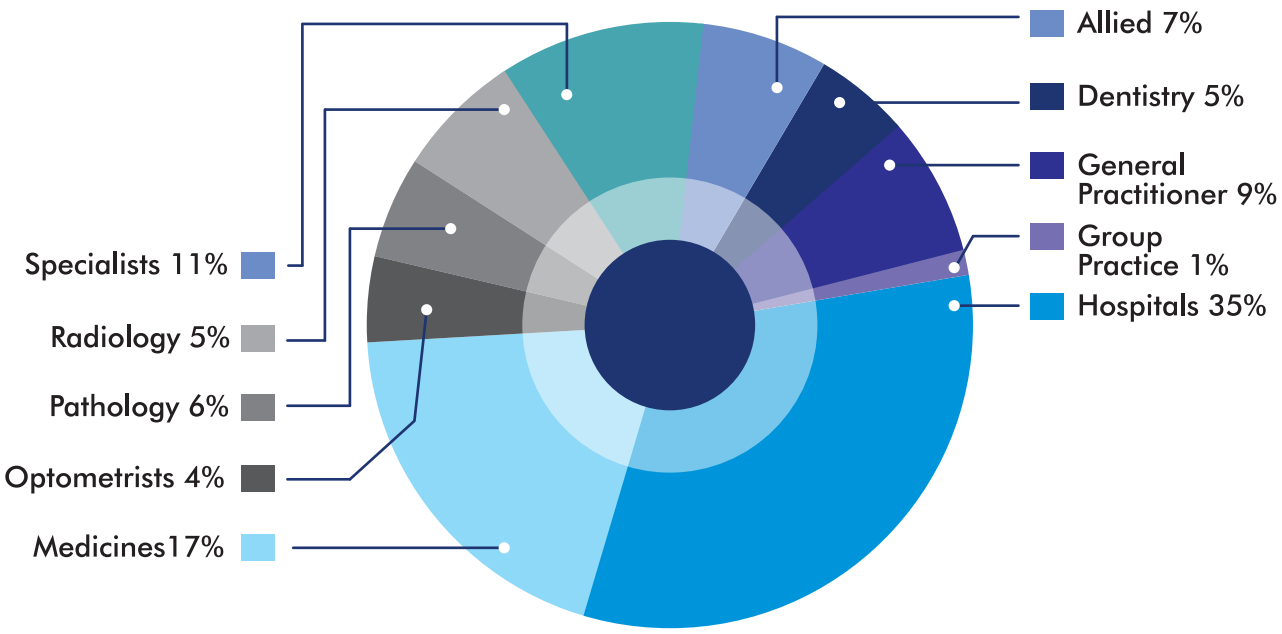

Figure 9: Claims split 2018

Figure 10 shows that the value of claims received from hospitals and related facilities increased from N$0.82 billion in 2014 to N$1.36 billion in 2018. The value of the claims paid increased from N$0.80 billion to N$1.33 billion over the same period.

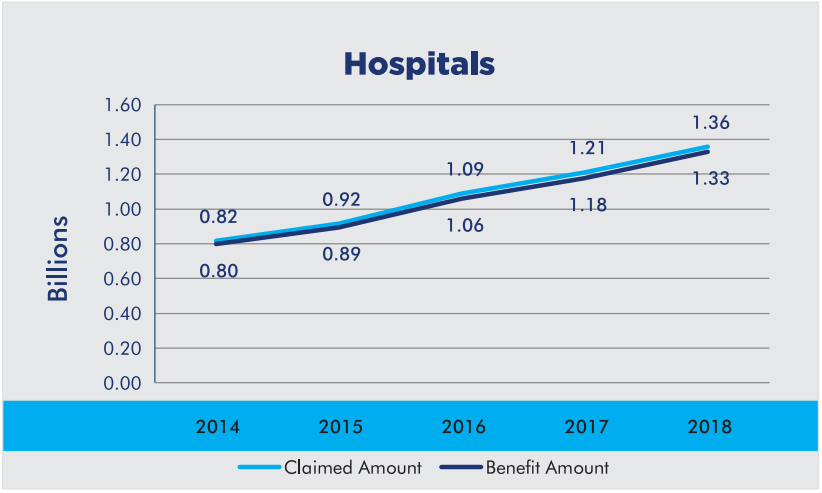

Figure 10: Hospital claims received and benefits paid 2014 – 2018

As shown in Figure 11, the value of claims received for medicines increased from N$0.68 billion in 2014 to N$0.80 billion in 2018. The value of the claims paid increased from N$0.56 billion to N$0.65 billion over the same period.

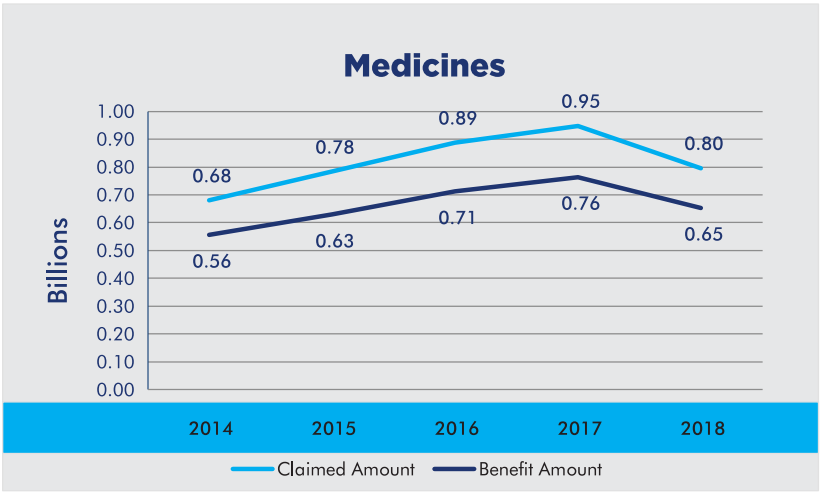

Figure 11: Medicine claims received, and benefits paid 2014 – 2018

The value of claims received from medical specialists increased from N$0.28 billion in 2014 to N$0.48 billion in 2018. The value of the claims paid increased from N$0.24 billion to N$0.43 billion over the same period. Refer to Figure 12.

Figure 12: Specialist claims received, and benefits paid 2014 – 2018

7.3 Utilisation of Healthcare Services

Figure 13 shows the proportion of beneficiaries who were hospitalised once in the respective years and those who were hospitalised more than once. Notably, just more than a third of beneficiaries who were hospitalised were hospitalised more than once in a given year.

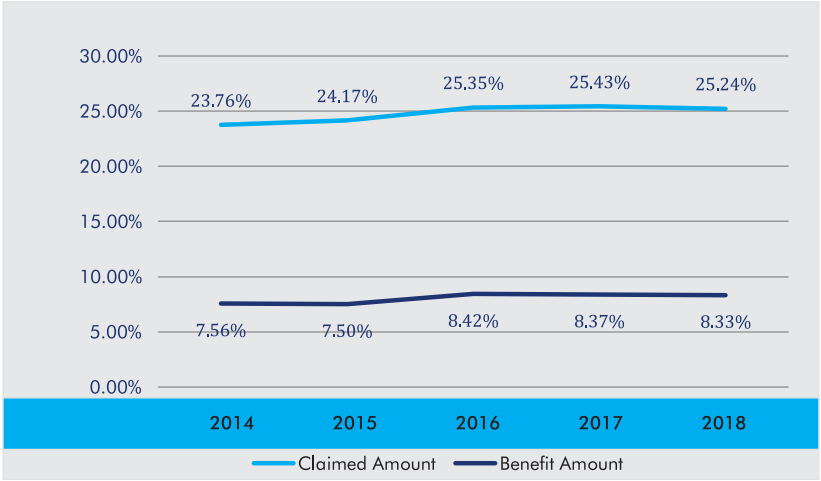

Figure 13: Proportion of beneficiaries hospitalised 2014 – 2018

Figure 14 indicates the utilisation trends for the major groups of healthcare services. The utilisation trends for all of the categories shown have remained relatively constant over the five-year period up to December 2018. It is important to note that 95.18% of medical aid fund beneficiaries accessed their benefits in 2018 and 88.55% claimed for medicines.

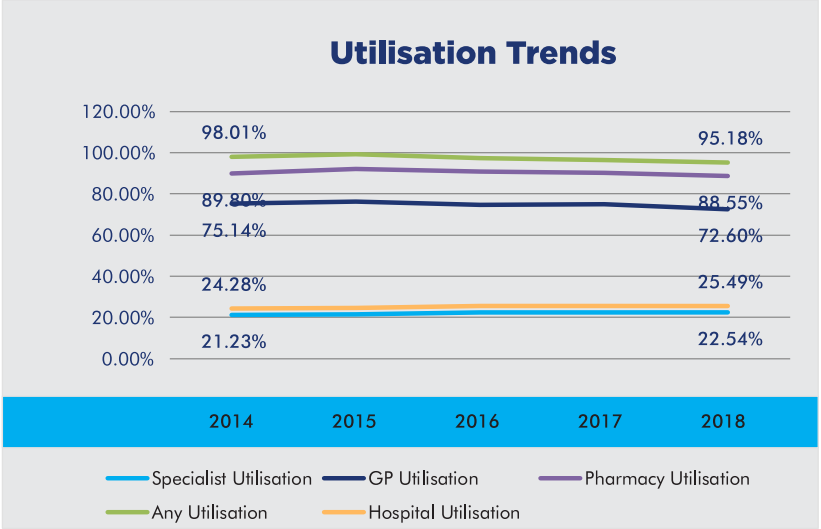

Figure 14: Utilisation trends for major groups of healthcare services 2014 – 2018

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Statement Of Management Commitiee's Responsibilities

1. The Management Committee is responsible to maintain adequate accounting records and the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Association as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with the accounting policies of the association. The external auditors are engaged to express an independent opinion on the annual financial statements.

2. The annual financial statements are prepared in accordance with the accounting policies of the Association which are consistently applied and supported by reasonable and prudent judgments and estimates.

3. The Management Committee acknowledges that it is ultimately responsible for the system of intenal financial control established by the Association and places considerable importance on maintaining a strong control environment. To enable the management committee to meet these responsibilities, it 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 association and all employees are required to maintain the highest ethical standards in ensuring the association's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the association is on identifying, assessing, managing and monitoring all known forms of risk across the association. While operating risk cannot be fully eliminated, the association endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

4. The external auditors are responsible for independently reviewing and reporting on the Association's annual financial statements. The annual financial statements have been audited by the Association's external auditors and their report is presented on pages 74 to 76.

5. The affairs of the Association shall be controlled by the management of the Association, which shall exercise and perform the powers, duties and functions of the Association with due regard to the provisions of the Medical Aid Funds Act

The annual financial statement set out on pages 77 through 85, which have been prepared on the going concern basis, were approved and authorised for issue by the Management Committee and were signed on its behalf by:

President	CEO	Date
		04 June 2019

Independent Auditor's Report

To the Members of the Management Committee of Namibian Association of Medical Aid Funds ("NAMAF")

Our opinion

In our opinion, the financial statements of Namibian Association of Medical Aid Funds (the Association) for the year ended 31 December 2018 are prepared, in all material respects, in accordance with the basis of accounting described in note 1to the financial statements and the requirements of the Medical Aid Funds Act of Namibia.

"What we have audited"

Namibian Association of Medical Aid Fund's financial statements set out on pages 77 to 84 comprise:

- the report of the Management Committee for the year ended 31December 2018;
- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Association in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

Emphasis of Matter - Basis of Accounting

We draw attention to note 1to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the association's own accounting policies to satisfy the financial information needs of the association's members. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The Management Committee are responsible for the other information. The other information comprises the information included in the Namibian Association of Medical Aid Funds Annual Financial Statements for the year ended 31 December 2018. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management committee for the financial statements

The Management Committee are responsible for the preparation of the financial statements in accordance with the basis of accounting described in note 1 to the financial statements and the requirements of the Medical Aid Funds Act of Namibia, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.

- Conclude on the appropriateness of the Management Committee' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the

date of our auditor's report. However, future events or conditions may cause the Association to' cease to continue as a going concern.

We communicate with the Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Pricewaterhouse Coopers
Registered Accountants and Auditors Chartered Accountants (Namibia)
Per: Trofimus Shapange
Partner
Windhoek
Date: 04 June 2019

Report Of The Management Committee

1 The Management Committee presents its annual report, which forms part of the audited financial statements of the Association for the financial year ended 31 December2018

General review

2 The Association is incorporated under the Medical Aid Funds Act and it serves as a controlling body in respect of the medical aid fund industry.

Events subsequent to balance sheet date

3 There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report

Financial results

4 Full details of the financial results of the Association are disclosed in the income statement and the notes thereto.

Management Committee

5 The management of the Association during the financial year and up to the date of this report are as follows:

	Date appointed
B Amuenje (Chairperson)	12 June 2017
LA Namoloh (Vice Chairperson)	12 June 2017
G Tjombe (Treasurer)	12 June 2017
DH Somseb (Member)	12 June 2017
E Mbahijona (Member)	12 June 2017
GD Labuschagne (Member)	12 June 2017
LD Nashandih (Member)	12 June 2017
A Begley (Co-opted Member)	14 June 2017
P D Theron (Co-opted Member)	14 June 2017

Statement Of Financial Position

As 31 December 2018

ASSETS	Notes	2018 N$	2017 N$
Non-current assets			
Property, plant and equipment	2	142,190	166,488
Current assets		6,287,893	3,319,432
Investments	4	5,718,947	2,586,775
Trade and other receivables	5	92,060	359,233
Cash and cash equivalents	6	476,886	373,424
Total assets		6,430,083	3,485,920
EQUITY AND LIABILITIES			
Capital and Reserves			
Retained surplus		6,010,628	3,005,347
Current liabilities			
Severance Pay Provision	8	106,420	-
Trade and other payables	7	313,035	480,573
Total equity and liabilities		6,430,083	3,485,920

Statement Of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 N$	2017 N$
Revenue		12,927,682	9,592,890
Administrative expenses		(10,213,038)	(10,049,945)
Operating surplus for the year		2,714,644	(457,055)
Interest received	3	290,637	254,121
Surplus/(deficit) for the year		3,005,281	(202,934)

Statement Of Changes In Equity

For the year ended 31 December 2018

	Notes	2018 N$	2017 N$
Retained surplus			
At the beginning of the year		3,005,347	3,208,281
Surplus/(deficit) for the year		3,005,281	(202,934)
At the end of the year		6,010,628	3,005,347

Cash Flow Statement

For the year ended 31 December 2018

	Notes	2018 N$	2017 N$
Cash flow from operating activities			
Cash receipts from stakeholders		13,194,855	9,303,936
Cash paid to suppliers and employees		(10,228,325)	(9,736,178)
Cash *(outflows)1* inflows from operations	9	2,966,530	(432,241)
Interest received	3	290,637	254,121
Net cash (used in)/generated from operating activities		3,257,167	(178,120)
Cash flows from investing activities			
Property, plant and equipment acquired	2	(21,532)	(104,920)
Investments	4	(3,132,173)	550,895
Net cash generated from/(used in) investing activities		(3,153,705)	445,975
Net change in cash and cash equivalents		103,462	267,855
at the beginning of the year		373,424	105,569
at the end of the year	6	476,886	373,424

Notes To The Financial Statements

For the year ended 31 December 2018

1 Accounting policies

1.1 Basis of accounting

The financial statements are prepared in accordance with the accounting policies of the Association. The basis of accounting and the presentation and disclosures contained in the financial statements are not intended to, and do not, comply with all of the requirements of International Financial Reporting Standards.

1.2 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life as follows:

Furniture & fittings	10 years
Office equipment	3 years
Computer equipment	3 years

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to its recoverable amount.

Gains and losses on disposal of equipment are determined by reference to their carrying amount and are taken into account in determining operating profit On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

1.3 Financial assets

The Association classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management committee determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

1.4 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a cash-flow basis over the period of the lease.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.5 Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Such provision for impairment of trade receivables is established if there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of receivables.

1.6 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

1.7 Trade payables

Trade payables are carried at the fair value of the consideration to be paid in future for services that have been received or supplied and invoiced or formally agreed with the supplier.

1.8 Provisions

Provisions are recognised when the Association has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

1.9 Revenue recognition

Affiliation Fees

These revenue streams comprise income from all medical aid funds. The fees are payable every month based on the previous month's member numbers of the relevant medical aid funds.

Annual renewal fees and practice number registration fees

These revenue streams comprise of income from registered health care professionals. Annual renewal fees are payable on an annual basis. Registration fees are payable as and when registration takes place.

Other income includes interest income, which is accounted for as it accrues to the Association.

2

Property, Plant & Equipment	Furniture & fittings N$	Office & Computer Equipment N$	Total N$
(2.1) 31 December 2018			
Opening net book amount	120,820	45,668	166,488
Additions	7,910	13,622	21,532
Depreciation charge	(18,064)	(27,766)	(45,830)
Closing net book amount	110,666	31,524	142,190
Cost	209,921	129,731	339,652
Accumulated deprec ation	(99,255)	(98,207)	(197,462)
Net book amount	110,666	31,524	142,190

Property, Plant & Equipment	Furniture & fittings N$	Office & Computer Equipment N$	Total N$
(2.2) 31 December 2017			
Opening net book amount	60,534	29,465	89,999
Additions	69,972	34,948	104,920
Depreciation charge	(9,686)	(18,745)	(28,431)
Closing net book amount	120,821	45,668	166 488
Cost	357,074	223,778	580,852
Accumulated depreciation	(236,254)	(178,110)	(414,364)
Net book amount	120,820	45,668	166,488

3 Interest received	2018 N$	2017 N$
Interest received on current account	8,465	5,016
Interest received on investment	282,172	249,105
Investments	290,637	254,121

4 Investments	N$	N$
EMH Prescient money market fund	3,554,851	566,775
Nampost Fixed term deposit	2,164,096	2,000,000
	5,718,947	2,586,775

5 Trade and other receivables	N$	N$
Accounts receivable	42,060	309,233
	42,060	309,233
Other receivables		
Deposits- rental	50,000	50,000
	92,060	359,233.03

At year end the carrying amount of the account receivables approximate their fair values due to the short term maturities of these receivables.

6 Cash and cash equivalents	N$	N$
Bank balances	475,596	373,258
Cash at hand	1,290	166
	476,886	373,424

The current account deposits is available immediately on request The carrying value of the deposits approximate their fair value due to the short-term maturity of the deposits.

7 Trade and other payables	2018 N$	2017 N$
Accruals	69,634	69,357
VET Levy Accrual	125,623	-
Trade payables	69,505	192,629
Prepaid renewal and registration income	33,435	164,489
Leave pay accrual	14,838	54,098
	313,035	480,573

At year end the carrying amount of the payables approximate their fair values due to the short term maturities of these payables.

8 Severance Pay Provision	N$	N$
Opening Balance	-	-
Provision for the year	106,420	-
Closing Balance	106,420	-

9 Cash generated from operations	N$	N$
Reconciliation of surplus for the year to cash generated from operations:		
(Deficit)/surplus for the year	3,005,281	(202,934)
Adjusted for:		
Depreciation	45,830	28,431
Interest income	(290,637)	(254,121)
Leave pay	(39,259)	40,648
Severance Pay	106,420	-
Bad debts written off/(bad debts reversed)	76,973	72,450
Changes in working capital:		
Trade and other receivables	190,200	(361,404)
Trade and other payables	(128,278)	244,689
Cash flows generated from operations	2 966,530	(432,241)

10 Bad debts written off/(bad debts recovered)	N$	N$
Sundry debtors	76,973	72,450
	76,973	72,450

11 Investment In Namibian Health Founders Consortium Trust

	N$	N$
Trust capital	100	100
Less Accumulated impairment	(100)	(100)
	-	-

The Trust, Is a related party and was created to administer theMedicines Formulary for the benetit of medical aid funds, butbecame dormant due to resistance from the Namibian medicinemarket

Detailed Income Statement

For the year ended 31 December 2018

	2018	2017
	N$	N$
Income	12,927,682	9,592,890
Affiliation fees	9,954,138	7,232,749
Annual renewal fees	1,869,725	1,625,964
Coding Structure Fees	198,000	198,000
Trustee Training Income	154,480	155,295
CodingTraining Income	751,339	-
Other Receipts (fund contribution - legal fee)	-	380,881
Less: Administrative expenses	10,213,038	10,049,945
Accounting fees	-	92,783
Actuarial fee expenses	1,705,660	1,620,077
Advertising	69,922	77,234
Auditors' remuneration	48,019	47,156
Bad debts written off/(debts reversed)	76,973	72,450
Bank charges	32,426	25,892
BHF Commission	588,380	477,776
Board Training	447,525	-
Cleaning	21,560	14,390
Coding training expenses	562,927	-
Consulting expenses	97,951	366,405
Depreciation	45,830	28,431
Directors & Officers Liability Cover	9,395	10,762
Entertainment	29,748	16,391
Insurance	18,735	14,633
IT services	196,247	167,561
Leave pay expense	(39259)	40,648
Legal and professional fees	36054	1,426,183
Mediscor (NRPF)	24,000	24,000
Meeting attendance	258,902	494,879
Municipal charges	61,250	64,677

		2018	2017
		N$	N$
Office expenses		103,716	64,992
Postage and courier		2,056	12,898
Printing and stationery		92,867	77,209
Regional & International Travels (Incl conferences)		86,444	177,552
Rent paid – office		628,000	544,866
Repairs and maintenance		6,305	29,196
Salaries and wages		3,515,348	3,323,808
Security expenses		4,958	186,147
Severance pay expense		106,420	-
Sponsorship		-	23,927
Staff development		76,524	5,250
Staff Recruitment		48,035	154,782
Strategic Projects		575,584	22,216
Sub-committee meetings		242,134	98,717
Telephone and fax		152,782	99,746
Travel and Accommodation		9,761	21,268
Trustee training and workshop costs		109,085	100,802
VET Levy expense		160,774	24,243
Operating (deficit)/surplus for the year		2,714,644	(457,055)
Interest received	3	290,637	254,121
(Deficit)/surplus for the year		3,005,281	(202,934)

This statement is unaudited and does not form part of the financial statements. It has been included for the members' purposes only.

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Namaf
Namibian Association of Medical Aid Funds

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