

Medical scheme board of trustees suspended

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6 Jun 2017

Community Medical Scheme has been placed under provisional curatorship by the High Court in Pretoria after the Council for Medical Schemes discovered alleged governance failings by its board.



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The apparent failures in fiduciary oversight include allowing a R1.1m bonus to be paid to the scheme's principal officer, which was outside the scope of her employment contract, and allowing illegal advance payments to the scheme's administrator Allcare to go ahead.

Community Medical Scheme had 13,109 beneficiaries at the end of 2016.

The council's head of legal services, Craig Burton-Durham said members should rest assured that it was "business as usual" for the scheme, which had sufficient funds to cover their medical bills.

The medical scheme had been making monthly payments to Allcare in the region of R2m to assist the administrator with cash flow difficulties, effectively depriving the scheme and its members of potential investment income, Burton-Durham said. It was illegal for a scheme to make advance payments or loans to any entity, including its administrator, he said.

The council approached the high court urgently and last Friday it appointed Deon van Wyk provisional curator, pending the outcome of a hearing on 4 August 2017.

This gives Van Wyk oversight of the scheme while the board of trustees is suspended.

Community Medical Scheme has a long history of conflict with the council.

Last September, it successfully interdicted the council from publishing its annual report over an accounting dispute over how to calculate its solvency ratio, which the council argued was 13.7% - barely half the 22.5% reported by the scheme for December 2015.

Its argument, which has yet to be resolved, centred on how to account for a R26m transaction with a managed healthcare organisation called Enabledmed. The annual report was eventually published, but all references to Community Medical Scheme were redacted.

Source: Business Day

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