

Notice of the Annual General Meeting 2017



You are invited to attend the Annual General Meeting of the members of LA Health Medical Scheme.
Here are the details if you would like to attend:



DATE		16 August 2017
TIME		14:00
VENUE		Protea Hotel Durbanville, 99 Jip de Jager Drive, Vineyards Office Estate, Tyger Valley, Cape Town

THIS INVITATION SERVES AS THE OFFICIAL NOTICE OF THE EVENT

Please notify the Principal Officer of any motions.

The Rules of the Scheme require attendees to notify the Principal Officer of any motions for discussion at least 7 days before the date of the meeting – by not later than 12:00 on Monday 9 August 2017.

Email to rdutoit@lahealth.co.za, or post to PO Box 652509, Benmore 2010

AGENDA FOR THE MEETING

1. Welcome and quorum
2. To note and approve the Minutes of the Annual General Meeting held on 22 June 2016
3. Annual Financial Statements and Auditor's Report for the year ended 31 December 2016
4. Board of Trustees' Annual Report (as per Section 37(1) of the Medical Schemes Act (1998))
5. Announcement of re-appointment of KPMG as the Scheme's external auditors
6. Consideration: Notices of Motion for referral to the Board of Trustees for final decision
7. Introduction to the Chairperson's Report

ANNUAL FINANCIAL STATEMENTS, TRUSTEES' REPORT AND COPIES OF THE MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING

The 2016 Annual Report, including the audited Annual Financial Statements and the Trustees' Report, as well as the Minutes of the previous AGM, will be available on the Scheme's website www.lahealth.co.za, as well as at the following Discovery Health offices from 24 July 2017. It may also be requested from the Scheme's call centre at **0860 103 933**.

JOHANNESBURG

Discovery Health
16 Fredman Drive
Sandton

CAPE TOWN

Discovery Health
Century City
Boulevard
Century City
Milnerton

DURBAN

Discovery Health
41 Invubupark Place
Riverhorse Valley
Business Estate
Durban

PORT ELIZABETH

Discovery Health
BPO Building
Coega IDZ
Zone 4



VENUE

PROTEA HOTEL DURBANVILLE CAPE TOWN

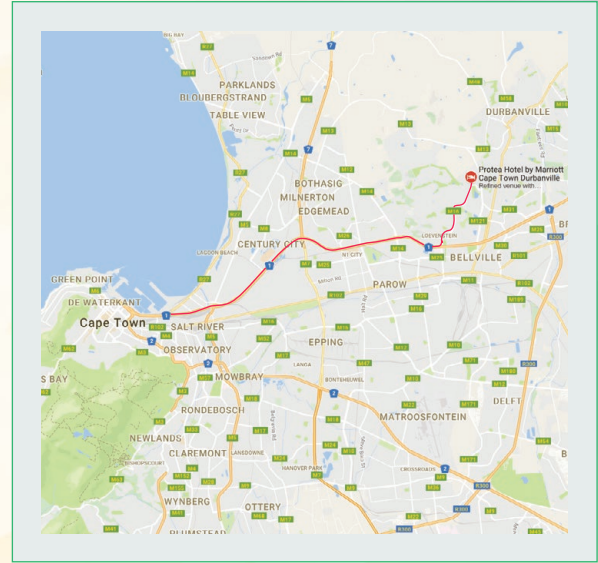
99 Jip de Jager Drive, Vineyards Office Estate,
Tyger Valley, Cape Town

Directions fom Cape Town

Drive on the N1 towards Bellville. Take Exit 20 for M16/Mike Pienaar Boulevard/Jip de Jager Drive. Turn left at Jip De Jager Drive /M16 until you reach the T-junction at the very end of this road. The hotel is on the left, just before Vineyards Office Estate.

Directions From Cape Town International Airport

Exit south from the airport, keep left at the fork. Turn right toward Airport Approach Road. Take the 1st left onto Airport Approach Road. Merge onto N2/Settlers Way via the ramp to Cape Town. Take Exit 9 to merge onto M5 toward N1/Milnerton. Take the Exit on the right onto N1 toward Paarl. Take Exit 20 for M16/Mike Pienaar Boulevard toward Jip De Jager Drive. Turn left at Jip De Jager Drive/M16 until you reach the T-junction at the very end of this road. The hotel is on the left, just before Vineyards Office Estate.



KEY FINANCIAL AND SERVICE METRICS

	2016	2015
Members' funds	R1 058 794 380	R877 253 755
Solvency ratio	39,50%	37,40%
Gross contribution income	R2 680 589 126	R2 345 882 645
Risk contribution income	R2 178 620 653	R1 911 826 532
Accumulated funds per member	R17 116	R15 444

2016	LA COMP	LA CORE	LA ACTIVE	LA FOCUS	LA KEYPLUS	TOTAL
Number of members at the end of the accounting period	1 964	5 093	37 633	10 324	6 847	61 861
Average number of beneficiaries for the accounting period	2 835	8 168	96 705	24 489	15 582	147 779
Average age per beneficiary	64,03	61,48	27,10	25,53	25,93	29,22
Pensioner ratio (beneficiaries >65 years old)	60,07%	54,70%	2,92%	1,86%	0,89%	6,31%
Average risk contribution per member per month	R5 821.13	R4 857.68	R2 998.61	R2 179.70	R1 763.97	R2 984.47
Average relevant healthcare expenditure per member per month	R5 036.10	R4 824.07	R2 398.90	R1 685.24	R1 437.78	R2 473.53
Relevant healthcare expenditure as a percentage of risk contributions	86,5%	99,3%	80,0%	77,3%	81,5%	82,9%
Administration fee per member per month	R 272.07	R 272.06	R 272.04	R 272.02	R 135.41	R 257.24
Non-healthcare expenditure as a percentage of risk contributions	6,6%	7,2%	12,6%	17,0%	12,2%	11,9%

CHAIRPERSON'S REPORT

2016 was yet another complex and challenging year for medical schemes in the industry. Escalating healthcare costs, continuous legislative and compliance pressures in a difficult political environment, a worsening economic outlook and on-going debates regarding the reform of the healthcare industry were just some of the challenges the Trustees faced.

LA Health Medical Scheme had a very positive 2016.

PERFORMANCE DURING 2016

Following strong growth of 10.36% to 135 287 beneficiaries in 2015, LA Health experienced another year of strong membership growth with the average number of beneficiaries increasing by a further 9.23% to 147 779 at the end of December 2016

The financial information contained in this highlights document have been extracted from, and are in agreement with, the audited 2016 Annual Financial Statements

A net healthcare result of R112.6 million was achieved. Despite the membership growth and the resulting increase in gross contributions received, the reserve ratio increased from 37.4% in 2015 to 39.5% at the end of 2016. In real terms the Scheme had R1.06 billion in reserve at the end of 2016, higher than the R877 million at the end of 2015.

The Scheme's risk contribution income was R2.18 billion with a net risk claims experience of R1.77 billion. This resulted in a net healthcare result (before investment income) of R112.67 million for the year, compared to R108.44 million in 2015. After investment gains the Scheme's total comprehensive income for 2016 was R181.54 million. Non-healthcare expenses were at 11.9% of the total risk contributions, marginally up from 2015.

At year end 2016, there was R206.86 million of member's Medical Savings Account funds in a "trust" bank account. This was inclusive of interest of R14.08 million earned in that account during the year. In 2016, the Scheme paid claims to the value of R474.55 million on behalf of members from the Medical Savings Accounts.

The Trustees carefully manage contributions and benefits to ensure the Scheme's long term sustainability and avoid potential benefit reductions and/or significant contribution increases in the future.

The Trustees believe value for money can be experienced at two levels. Firstly on the level of overall costs and benefits provided, relative to the market; secondly on the level of charges for services obtained, such as administration and actuarial services. On both these levels, the Trustees are confident members are receiving value for money.

The continued focus of Discovery Health (Pty) Ltd is on product and service innovation ensuring the Scheme is able to meet operational and other challenges in an efficient and relevant manner. Discovery Health's focus on risk management and negotiated provider fees have enabled the Scheme to manage care and costs effectively, minimise abuse and fund the best quality healthcare for members. Independent industry surveys have verified that these services, provided by Discovery Health (Pty) Ltd, are amongst the most highly rated in the industry.

MANAGEMENT OF THE SCHEME

The Trustees strategically manage the Scheme and are committed to ensuring statutory and regulatory compliance. The Audit and Risk Committee, and the Scheme's contracted experts, monitor and advise the Board of Trustees on statutory compliance, to ensure these requirements are met.

The members of the Board of Trustees are:

Mr J Allan
Mr R Barnard
Mr A Bennett
Mr GJ Beukman (Chairperson)
Mr R Bosman
Ms C Botes
Mr H Botha
Mr R de Bruyn
Mr HA Deysel (Deputy Chairperson)
Mr R Field
Mr F Hoffman
Mr A Lemmer
Mr P Louwrens
Mr ME Mattheus
Mr MCT Schultz
Mr A Vorster

All the Trustees are member-elected.

Principal Officer: Mr AM de Koker

The Scheme's Audit and Risk Committee, established in accordance with the requirements of the Medical Schemes Act (Act 131 of 1998), met four times during the year.

The current independent members of the Audit and Risk Committee are:

Mr G Buchholtz
Ms N Chowthee
Dr J Cornell

EXTERNAL IMPACTS ON THE SCHEME

A number of regulatory issues prevailed through 2016 with a few new matters emerging during the year. The Trustees continuously have to ensure LA Health remains compliant and prepare the Scheme for potential future regulatory and other changes.

HEALTH MARKET INQUIRY CONDUCTED BY THE COMPETITION COMMISSION

The Competition Commission's Health Market Enquiry into the private healthcare sector that commenced in 2014, has continued with public hearings being conducted during 2016. Various interested persons and groups have had the opportunity to present to the Panel of five, which is being led by Former Chief Justice Sandile Ngcobo.

Parties that have presented included medical schemes, medical scheme administrators, hospital groups, individual consumers of private healthcare, healthcare professionals and their representative organisations, various government departments and regulatory bodies, the Financial Intermediaries Association of South Africa, the World Health Organisation and COSATU.

Stakeholders have presented evidence pointing to a variety of possible reasons for the high costs of private healthcare, including over-servicing allegations against healthcare professionals, high profit margins of large hospital groups, and cases of medical schemes refusing to cover certain treatment or drugs resulting in high out-of-pocket expenditure for individuals. The prevailing legislation and regulations have been discussed extensively. Costs were being attributed to the principle of open enrollment and lack of compulsory membership for the employed population, the onerousness of the current Prescribed Minimum Benefits (PMB) as well as the requirement for medical schemes to pay for PMBs at cost, and the lack of regulated tariffs, to name just a few.

The Commission have been analysing the extensive data collected from the industry and may request further information based on the outcomes of the hearings. The Inquiry is expected to continue with the final report anticipated during 2017.

PREPARATION FOR THE FUTURE

The LA Health Trustees are aware sustainability in the current environment and readiness for future changes require on-going assessment and planning, and continue to focus on the following important initiatives:

1. A continuous review of the LA Health value proposition for all employees, former employees and councillors of Local Government.
2. An increased focus on the general wellness of members through increased utilisation of the Scheme's preventative care benefits and specific wellness and nutrition focuses.
3. Trustee development and training to ensure a Board of Trustees that is enabled to fulfil its fiduciary duties in this constantly changing and challenging environment.
4. Transformation of the Board of Trustees, through the existing democratic election process, to be representative of the demographics of the membership of the Scheme.

The Trustees are comfortable the Scheme is sustainable, and that it offers significant value to its members.

THANKS AND APPRECIATION

I would like to express my thanks and appreciation to the following stakeholders for their efforts and contributions:

- The LA Health Trustees
- Audit and Risk Committee members
- Mr LW Grobler and the team at KPMG Inc., the Scheme's external auditors.
- André de Koker, our Principal Officer, and the Scheme's staff
- Our employer groups, their representatives and HR teams
- Dr J Cornell: the Scheme's independent medical advisor
- Mr R Leerkamp: NMG Actuarial Services – NMG Benefits
- Healthcare and other third party providers to the Scheme and our members
- The Scheme's Administrator, Discovery Health (Pty) Ltd.

IN CONCLUSION

The Trustees look forward to 2017 as another year of consistent, high quality service delivery and are resolute to continue to closely manage all aspects of the Scheme's offerings, ensuring continued exceptional value for all the members of LA Health Medical Scheme.



Gawie Beukman
Chairperson: Board of Trustees

HIGHLIGHTS OF LA HEALTH MEDICAL SCHEME'S FINANCIAL RESULTS FOR 2016

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

	2016 R	2015 R
Assets		
<i>Non-current assets</i>	5 615 558	5 663 855
Property and equipment	5 475 695	5 416 496
Motor Vehicle Loans	139 863	247 359
<i>Current assets</i>	1 399 352 093	1 160 059 972
Trade and other receivables	120 775 273	44 562 956
Held-to-maturity investments	601 500 000	601 500 000
Scheme funds	504 000 000	504 000 000
Medical savings account trust funds	97 500 000	97 500 000
Cash and cash equivalents	677 076 820	513 997 016
Scheme funds	567 713 699	433 003 458
Medical savings account trust funds	109 363 121	80 993 558
Total assets	1 404 967 651	1 165 723 827
Funds and liabilities		
<i>Members' funds</i>	1 058 794 380	877 253 755
Accumulated funds	1 058 794 380	877 253 755
<i>Non-current liability</i>	4 332 000	3 910 000
Post-retirement healthcare funding liability	4 332 000	3 910 000
<i>Current liabilities</i>	341 841 271	284 560 072
Outstanding risk claims provision	59 600 000	44 800 000
Medical savings account trust liability	214 731 013	181 867 585
Trade and other payables	67 510 258	57 892 487
Total funds and liabilities	1 404 967 651	1 165 723 827

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	2016 R	2015 R
Risk contribution income	2 178 620 653	1 911 826 532
Relevant healthcare expenditure	(1 805 644 562)	(1 578 865 633)
Net claims incurred	(1 756 017 128)	(1 534 718 282)
Risk claims incurred	(1 765 104 701)	(1 543 643 704)
Third party claims recoveries	9 087 573	8 925 422
Net expense on risk transfer arrangements	(170 420)	(1 206 690)
Risk transfer arrangement fees/premiums paid	(10 145 487)	(9 265 009)
Recoveries from risk transfer arrangements	9 975 067	8 058 319
Managed care: management services	(49 457 014)	(42 940 661)
Gross healthcare results	372 976 091	332 960 899
Broker services fees	(51 351 818)	(43 342 871)
Administration fees	(187 786 251)	(162 747 054)
Sundry expenses	(15 381 215)	(14 624 112)
Impairment losses on healthcare receivables	(5 790 285)	(3 803 630)
Net healthcare results	112 666 522	108 443 232
Other income	83 100 991	60 688 379
Investment income	83 064 858	60 645 055
Scheme	68 974 970	49 968 859
Return on Medical Savings Account trust monies invested	14 089 888	10 676 196
Sundry income	36 133	43 324
Other expenditure	(14 089 888)	(10 676 196)
Interest paid on medical savings accounts	(14 089 888)	(10 676 196)
Net surplus for the year	181 677 625	158 455 415
Other comprehensive income	(137 000)	(89 000)
Actuarial (loss) on post retirement healthcare funding liability	(137 000)	(89 000)
Total comprehensive income for the year	181 540 625	158 366 415

STATEMENT OF CHANGES IN FUNDS AND RESERVES

for the year ended 31 December 2016

	2016 R	2015 R
	Accumulated funds	Accumulated funds
Balance at 1 January	877 253 755	718 887 340
Changes in funds and reserves	(137 000)	(89 000)
Actuarial (loss) on post retirement healthcare funding liability	(137 000)	(89 000)
Net surplus for the year	181 677 625	158 455 415
Balance at 31 December	1 058 794 380	877 253 755



STATEMENT OF CASHFLOWS

for the year ended 31 December 2016

	2016 R	2015 R
Cash flows from operating activities		
Cash flows from operations before working capital changes	113 053 482	108 773 249
Working capital changes		
• (Increase)/decrease in trade and other receivables	(76 212 317)	32 266 154
• Increase in medical savings account trust liability	32 863 428	26 831 242
• Increase/(decrease) in outstanding claims provision	14 800 000	(2 300 000)
• Increase in trade and other payables	9 617 771	9 727 243
Net cash flows from operating activities	94 122 364	175 297 888
Cash flows from investing activities		
Additions to property and equipment	(125 026)	(5 379 616)
Additions to held-to-maturity investments		
Scheme funds	-	(120 000 000)
Decrease/(increase) in loans to employees	107 496	(247 359)
Interest income		
Scheme	68 974 970	49 968 859
Return on medical savings account trust monies invested	14 089 888	10 676 196
Interest paid	(14 089 888)	(10 676 196)
Net cash flows from investing activities	68 957 440	(75 658 116)
Net increase in cash and cash equivalents	163 079 804	99 639 772
Cash and cash equivalents at beginning of year	513 997 016	414 357 244
Cash and cash equivalents at end of year	677 076 820	513 997 016
Scheme funds	567 713 699	433 003 458
Medical savings account trust funds	109 363 121	80 993 558

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

	2016 R	2015 R
Cash and cash equivalents		
Medical scheme funds		
Current accounts	108 492 611	144 964 583
Money market instruments	459 221 088	288 038 875
Total current, call and fixed accounts	567 713 699	433 033 458

The weighted average effective interest rate on cash and cash equivalents were 7.75% (2015 – 6.60%). The short term funds have an average maturity of 1 day (2015 – 1 day).

At 31 December 2016 the carrying amounts of cash and cash equivalents approximate their fair values due to the short term maturities of these assets.

Medical Savings Account trust funds

Call account	5 900 000	5 900 000
Current account	103 463 121	75 093 558
Total trust funds invested	109 363 121	80 993 558

The weighted average effective interest rate on the trust funds was 6.41% (2015 – 5.36%). The short term deposits have an average maturity of 1 day (2015 – 1 day).

At 31 December 2016 the carrying amounts of the trust funds approximate their fair values due to the short-term maturities of these assets.

Total cash and cash equivalents	677 076 820	513 997 016
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	2016 R	2015 R
Medical Savings Account (MSA) trust liability		
Balance on MSA liability at the beginning of the year	181 867 585	155 036 343
Add:		
MSA contributions received for the current year	501 968 473	434 056 113
Transfers received from other medical schemes	495 385	500 171
Interest earned on MSA trust funds	14 089 888	10 676 196
Less:		
Claims paid to or on behalf of members	(474 546 932)	(410 637 020)
Refunds on death or resignation	(9 143 386)	(7 764 218)
Balance on MSA liability at the end of the year	214 731 013	181 867 585

In accordance with the rules of the Scheme, the MSA is underwritten by the Scheme.

MSAs contain a demand feature. In terms of Regulation 10 of the Act, any credit balance on a member's MSA must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option, and enrolls in another benefit option or medical scheme without a MSA, or does not enrol in another medical scheme.

Estimated claims to be paid out of members' MSA in respect of claims incurred in 2016 but not reported:

3 888 165

3 521 481

Actual interest earned, net of related expenses, is paid on MSA. Investment of MSA trust monies managed by the Scheme on behalf of its members, has been separately disclosed in the Financial Statements.

The mismatch between the MSA trust liability and the MSA trust funds relate to timing differences. These differences are cleared after year-end.

At 31 December 2016 the carrying amount of the MSA trust liability approximates its fair value, since it is payable on demand. These amounts were not discounted to present values due to their demand feature.

Accumulated funds	2016	2015
	R	R
Total members' funds per statement of financial position	1 058 794 380	877 253 755
Accumulated funds per Regulation 29	1 058 794 380	877 253 755
Annualised gross contributions	2 680 589 126	2 345 882 645
Solvency margin		
Accumulated funds/annualised gross contribution income x 100%	39.50%	37.40%

The required solvency has been maintained throughout the year.

NON COMPLIANCE MATTERS

SUSTAINABILITY OF BENEFIT OPTIONS

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound.

At 31 December 2016 one of the Scheme's benefit options did not comply with Section 33(2):

Option	2016 Net healthcare deficit R	2015 Net healthcare deficit R
LA Core	(19 825 075)	(11 770 070)

The Board of Trustees addresses the sustainability of all options during the annual strategic conference and subsequent budgetary process. Fair consideration was given to the affordability of the benefits in these Options for its registered beneficiaries, by taking into account investment income.

CONTRIBUTIONS NOT RECEIVED WITHIN THREE DAYS OF IT BECOMING DUE

In terms of Section 26(7) of the Act, all contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.

There were instances, during the year, where the Scheme received contributions after three days of becoming due, however, there are no contracts in place agreeing to this arrangement.

The procedures that the Scheme follows regarding these contributions are set out in the financial statements.

LA HEALTH AGAIN TOUCHES THE HEARTS OF ITS COMMUNITY

The LA Health Trustee Charity Golf Challenge is a fully sponsored annual event in line with the Scheme's corporate social responsibility commitments

At the 2016 golf day a total of R106 030 was raised and donated to the Echo Foundation, Pug Rescue South Africa and Care4U Resprite Outreach. Discovery Health sponsored R10 000 which was donated to The Children's Hospital Trust

The 2017 golf day was once again a resounding success and a grand total of R114 120 was raised for charity.

The R114 120 raised was handed over to the 3 winning charities by the trustees concerned.



The winning team on the day!



Winning Charity Huis Louisa Meyburgh (Andre Lemmer): R57 060

Second place winning charity



CANSA (Herman Botha): R34 236

Third place winning charity



Evelyn House Retirement Home (Cathi Botes): R22 824



● Client Services 0860 103 933 ● Fax 011 539 7276 ● www.lahealth.co.za ● service@discovery.co.za ●
● LA Health Medical Scheme. Registration number 1145. ● LA Health Medical Scheme is administered by Discovery Health (Pty) Ltd, registration number
1997/013480/07. Discovery Health (Pty) Ltd is an authorised financial services provider. ●