

**MINUTES OF THE ANNUAL GENERAL MEETING OF MEMBERS OF
LA HEALTH MEDICAL SCHEME HELD AT THE PROTEA HOTEL DURBANVILLE, 99
JIP DE JAGER DRIVE, VINEYARDS OFFICE ESTATE, TYGER VALLEY, ON
WEDNESDAY, 16 AUGUST 2017 AT 14H00**

PRESENT:

(i) **LA Health Board of Trustees**

Mr. G.J. Beukman	(Chairperson)
Mr. H.A. Deysel	(Deputy Chairperson)
Mr. J. Allan	
Mr. R. Barnard	
Mr. A. Bennett	
Mr. R. Bosman	
Ms. C. Botes	
Mr. R. de Bruyn	
Mr. R. Field	
Mr. F. Hoffman	
Mr. A. Lemmer	
Mr. P. Louwrens	
Mr. M.E. Mattheus	
Mr. M.C.T. Schultz	
Mr. A. Vorster	

(ii) **LA Health Audit Committee**

Mr. G. Buchholtz	(Chairperson)
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(iii) **LA Health Executive Management and Staff**

Mr. A.M. de Koker	(Principal Officer)
Mr. L. Schröner	(Marketing and Operations Manager)
Ms. R. du Toit	(Personal Assistant to Principal Officer)
Ms. Y. Erasmus	(Public Relations/Liaison Officer)

(iv) **Representatives of the Administrator (Discovery Health)**

Mr. S. Johnston	(General Manager: Discovery InHouse)
Ms. D. du Toit	(Deputy General Manager: Discovery InHouse/Fund Manager)
Mr. M. Jacobs	(Deputy General Manager: Discovery InHouse Finance)

(iv) **Members**

A total of 32 members and 2 observers attended the meeting as per the attendance register.

(v) **Apologies**

Mr. H. Botha (Trustee)

AGENDA

(Proceedings commenced with a MOMENT of REFLECTION observed by all)

1. **WELCOME**

The Chairperson of the Board of Trustees welcomed all in attendance and declared the meeting properly constituted since a quorum was in attendance.

The notice convening the Annual General Meeting was taken as read.

2. **MINUTES AGM 2016**

The Minutes of the 2016 AGM, which had been available on the Scheme's website, were issued to all members present upon registration.

The Chairperson of the Board of Trustees called for a proposer and a seconder for the adoption of the Minutes of the 2016 Annual General Meeting as a true reflection of the relevant proceedings.

Proposer: Mr. R. Field

Seconder: Mr. P. Louwrens

Resolved: That the Minutes of the LA Health Medical Scheme Annual General Meeting, held on 22 June 2016, be **CONFIRMED**.

At this juncture, the Chairperson of the Board of Trustees called on the Principal Officer, Mr. A.M. de Koker, to address the meeting.

The Principal Officer delivered a PowerPoint presentation and highlighted the following:

(a) Membership:

- (i) LA Health's Principal Member growth since 2010 - the Scheme has maintained positive growth since 2010;
- (ii) Accredited medical schemes membership as at 31 March 2016 - LA Health currently has 66 500 principal members and over 162 000 beneficiaries;
- (iii) Average membership in restricted medical schemes as at 2015 - LA Health is the 5th largest out of 63 restricted medical schemes; and
- (iv) Market share of the accredited medical schemes within local government - LA Health had 31% of the market share as at 31 March 2016.

(b) Financial Performance

- (i) The Scheme's net contribution income increased from R 1, 9 billion in 2015 to R 2, 1 billion in 2016.

- (ii) The Scheme's healthcare expenditure increased from R 1, 5 billion in 2015 to R 1, 8 billion in 2016.
- (iii) The Scheme's non-healthcare expenditure increased from R 224 million in 2015 to R 260 million in 2016. This increase in expenditure is linked to membership growth.
- (iv) The Scheme ended the year with a surplus of more than R 181 million;
- (v) Since 2005 the Scheme's turnover increased from R 510 million to R 3, 7 billion for 2017;
- (vi) The Scheme has a total investment portfolio of R 1, 2 billion, and through its conservative investment policy no money has been invested in high risk instruments;
- (viii) The Scheme's solvency margin had been maintained above the 25% level required by the Medical Schemes Act and stood at 39.5% at year end. The Board of Trustees took a strategic decision to maintain the Scheme's solvency to fund growth in membership, and keep the Scheme sustainable; and
- (ix) The LA Core Benefit Option is the only option that showed an annual operating deficit for 2016. Each option is required to be financially viable on its own. The Board of Trustees will address the sustainability of this option and all the other benefit options during the finalisation of the 2018 budget on 17 August 2017.

(c) Medical Savings Accounts (MSA)

Subsequent to the recent Constitutional Court's judgement in Genesis Medical Scheme versus Council for Medical Scheme's (CMS) case, the CMS issued a press release, which provided clarification of the effect of such judgement on medical schemes and administrators, as follows:

- The MSA is considered to be an asset to the Scheme, therefore funds need not be accounted for separately;
- In an instance where a medical scheme is liquidated, all creditors will have the same access to MSA funds;
- The Scheme is no longer required to allocate interest earned to individual MSA accounts; and
- There is no impact on solvency calculation.

The Scheme's Board of Trustees would have to consider whether it wishes to continue paying interest on MSA balances or not.

(d) Demarcation Legislation Changes

Demarcation Regulations were published in Government Gazette No. 40515 on 23 December 2016:

- The regulations specify which products are regulated under the Long Term and Short Term Insurance Acts, and are accordingly outside of the ambit of the Medical Schemes Act;

- There are three categories of Health Insurance products:
 - Medical Expense Shortfall Products (GAP cover plans);
 - Non-Medical Expense cover policies relating to hospitalisation (Hospital cash plans);
 - Primary Healthcare Insurance policies (Low Cost Benefit Options);
- The Regulations allow insurers to continue to provide:
 - GAP cover plans
 - Hospital cash plans

(In a manner that compliments medical schemes, subject to strict underwriting and marketing conditions); and
- The Regulations do not allow insurers to continue providing Primary Healthcare policies:
 - The insurers will be required to provide plans in accordance with the Medical Schemes Act;
 - The CMS has granted a two year exemption (compliance) period.

(e) National Health Insurance (NHI)

The final White Paper on NHI was released on 29 June 2017 as a Government Policy. This policy requires to be legislated at a future date.

The preliminary NHI implementation plan was also made public, and at this the **early** stage it would appear that:

- there will be a single funder and buyer system;
- there will be universal cover for all;
- medical schemes will play a supplementary role in the transition process;
- once NHI has been implemented, medical schemes will only offer complementary cover;
- the single NHI Fund will be implemented over a period of 14 years;
- the basic NHI package must still be developed;
- the financing model must still be finalised. It is envisaged that:
 - tax rebates on medical scheme contributions will be abolished and that such monies will be paid into the NHI Fund;

- a dedicated pay roll tax will be introduced;
 - civil servants funding arrangements will be consolidated.
- NHI membership will be compulsory;
 - medical scheme cover for all civil servants (employed in state owned enterprises, municipalities, intelligence agencies, defence and police services could possibly be consolidated. Restricted medical schemes from these entities may be forced to merge with GEMS;
 - there will be a reduction on the number of benefit options available from medical schemes;
 - medical schemes may not be able to cover the services included in the NHI package;
 - members of medical schemes may have to make use of government accredited facilities
 - members of medical schemes may have to pay for NHI and private cover;
 - there may be no employer subsidies;
 - a number of laws would have to be put in place or amended;
 - there may be a number of constitutional challenges that would have to be dealt with when such amended laws are published for public comment; and
 - the implementation of NHI will be a long process.

LA Health is a member of the Health Funders Association (HFA). The HFA supports the implementation of sustainable healthcare for all South Africans. It is, however, not in favour of a system that has the unintended consequence and potential to destroy the private healthcare sector.

The HFA has been invited by the Minister of Health to appoint experts to serve on a number of NHI Implementation Committees.

In the meantime for LA Health, **it is business as usual.**

Mr. D. L. Carstens, Member Number 158251360 referred to the Principal Officer's presentation on the White Paper on NHI and made the following proposal. This proposal was seconded by Mr. K. Cloete, Membership Number 157618930:

“There is no doubt whatsoever that the members of LA Health present here today and also those unable to be present, have taken grateful comfort from fact that the Board of Trustees has always acted in the best interest of the Scheme and its membership, amidst a number of regulatory issues that prevailed over many years. However, with the serious threats and challenges that lie within the White Paper on NHI, it is hereby **PROPOSED** that the Board of Trustees be **MANDATED** to do everything in its power to ensure the future existence of LA Health and to protect the rights of the membership therein.”

This proposal was **ADOPTED unanimously.**

3. **Audited Annual Financial Statements and Auditor's Report for the year ended 31 December 2016**

A full set of the Audited Annual Financial Statements has been available on the Scheme's website and was available at the registration table, upon request.

The Chairperson of the Board of Trustees pointed out that earlier, the meeting noted the Principal Officer's summary of the Scheme's financial performance. In the circumstances he called for a proposer and a seconder that the Audited Annual Financial Statements and Auditor's Report for the year ended 31 December 2016 be accepted.

Proposer: Mr. M.C.T. Schultz
Seconder: Mr. R. de Bruyn

Resolved: That the Audited Annual Financial Statements and Auditor's Report for the year ended 31 December 2016, be **ACCEPTED.**

4. **BOARD OF TRUSTEES ANNUAL REPORT AS PROVIDED FOR IN SECTION 37(1) OF THE MEDICAL SCHEMES ACT**

The Chairperson of the Board of Trustees drew attention to the fact that the Board's Annual Report formed part of the Audited Annual Financial Statements and called for a proposer and a seconder that such report be accepted.

Proposer: Mr. A. Vorster
Seconder: Mr. R. de Bruyn

Resolved: That the Annual Report of the Board of Trustees, be **ACCEPTED.**

5. **Announcement of re-appointment of Scheme's external auditors**

The Chairperson of the Board of Trustees announced that the Board of Trustees on 16 October 2014 adopted a recommendation from the Audit Committee that KPMG be re-appointed as the Scheme's external auditors for a further 3 years ending 31 December 2018.

NOTED

6. **NOTICES OF MOTION**

The Chairperson of the Board of Trustees confirmed that no motions had been received.

NOTED

7. **Introduction of the Chairperson's Report**

The Chairperson of the Board of Trustees reminded the meeting that the Chairperson's Report for 2016 formed part of the Notice of this AGM, which was circulated to all members of the Scheme.

The Chairperson's Report was **taken as read.**

In conclusion, the Chairperson of the Board of Trustees paid tribute to the Deputy Chairperson of the Board of Trustees, Mr. H.A. Deysel, for his support and encouragement throughout, as well as to his fellow Trustees, the Scheme's Management and Staff, the Scheme's Audit Committee, the Administrator and Staff, the Scheme's Actuaries and other Advisors for their sterling work always in the best interest of the Scheme and its membership.

Mr. H.A. Deysel, Deputy Chairperson of the Board of Trustees offered reciprocal appreciation to the Chairperson of the Board of Trustees for his stewardship.

The Chairperson of the Board of Trustees called for a proposer and a seconder that the Chairperson's Report 2016 be noted.

Proposer: Mr. R. Field
Secunder: Mr. A. Vorster

Resolved: That the Chairperson's Report: 2016 be **NOTED.**

THE MEETING CONCLUDED AT 14h55

CHAIRPERSON

DATE