

**LA
 CONVERSATIONS
 2014**

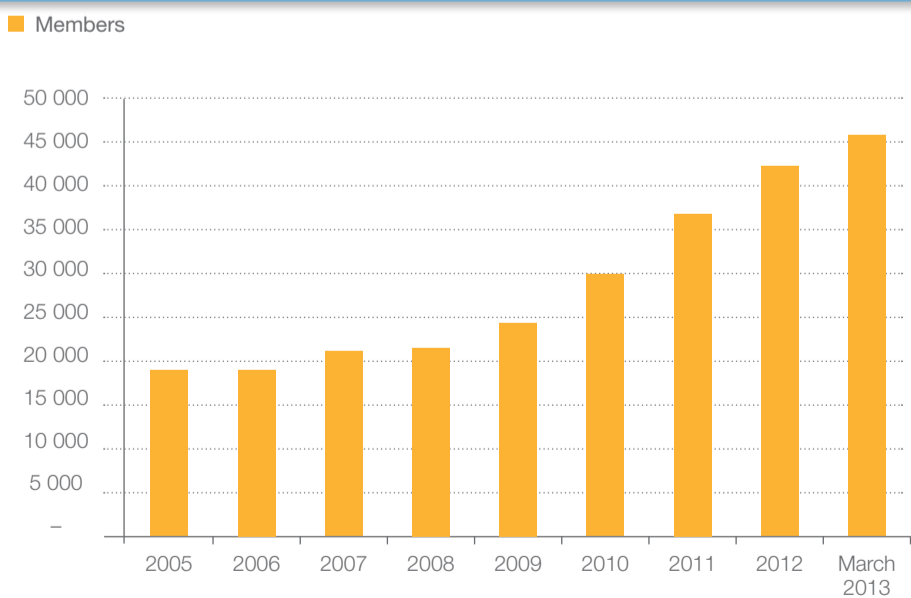


Growing from strength to strength

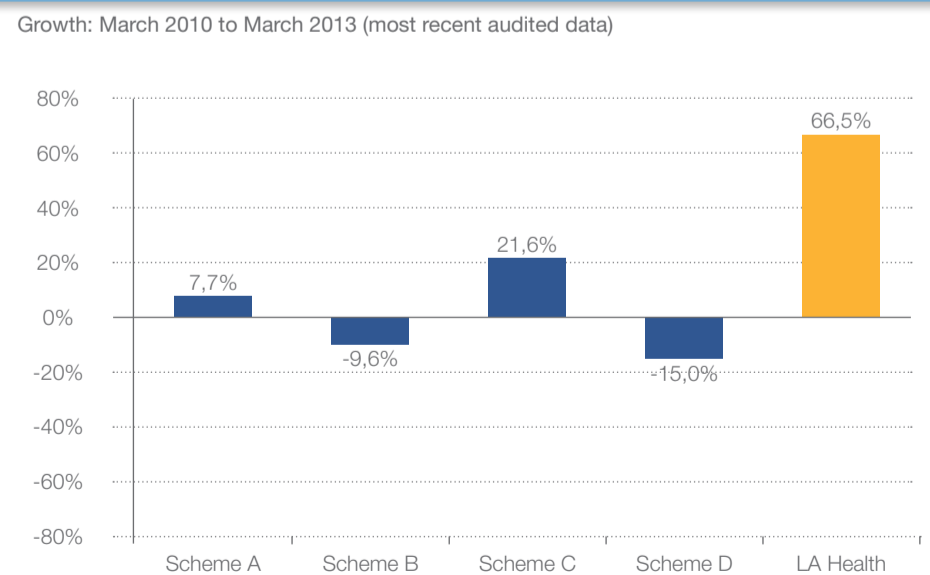
As the fastest growing, accredited medical scheme in local government in 2013, LA Health has added more than 18 400 members over the last three years, and remained comfortably above the required solvency ratio. LA Health continues to exhibit financial strength, while improving access to quality care, and providing value for money, stability and certainty to its members.

In 2013, LA Health grew significantly both in members and in covered beneficiaries. This is the fourth year in a row the Scheme managed to significantly outperform its competitors – it continues to increase its market share and it is now on the brink of becoming the largest medical scheme in local government.

LA Health grew by 66% over the past three years



LA Health's growth has consistently exceeded that of competitors



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This tremendous growth has significantly improved the Scheme's demographic profile, and for every year the Scheme's average age reduces, claims costs reduce by approximately 2%. Since Discovery Health (Pty) Ltd started administering LA Health in 2005, the Scheme's profile has distinctly improved, with the average age reducing by 11 years and the pensioner ratio by 58%.

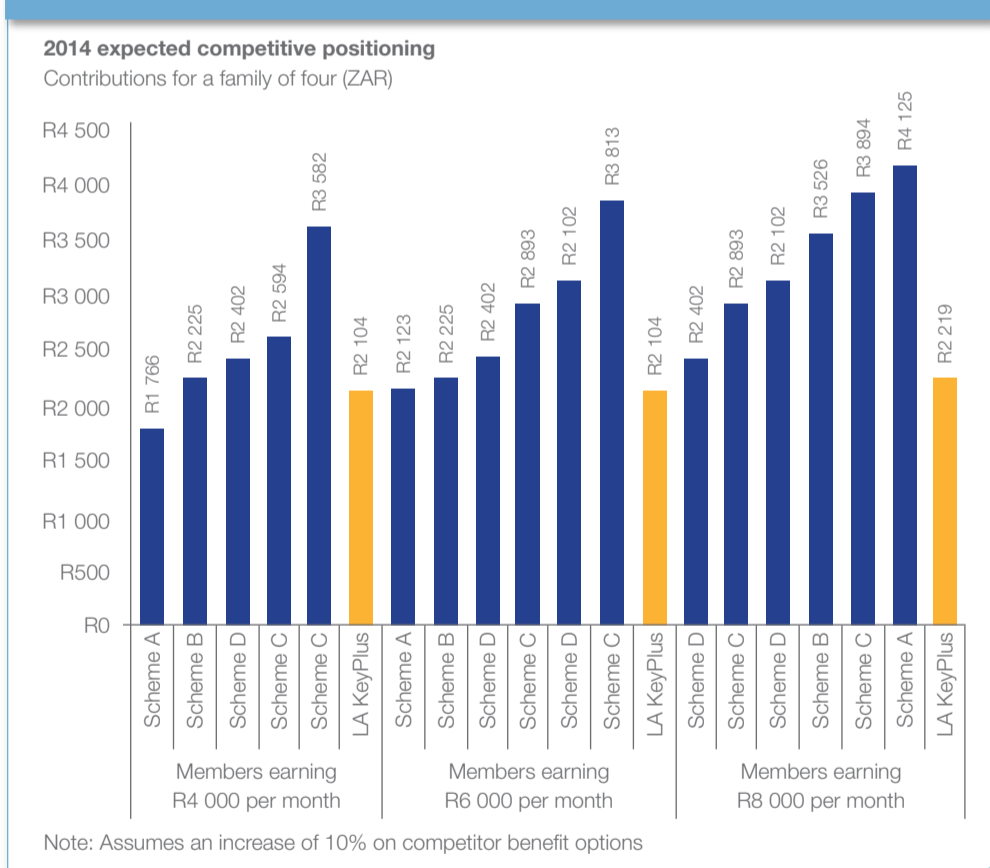
LA Health's growth continues to positively affect the Scheme's demographic profile



LA Health remains the affordable choice

An analysis of expected competitor positions places LA Health as a market leader in affordability and value for money. LA KeyPlus is still expected to offer the greatest value for money in the market, while LA Active and LA Focus are competitively priced compared to similar benefit options offered by other accredited schemes.

LA KeyPlus offers the best value for money in the market



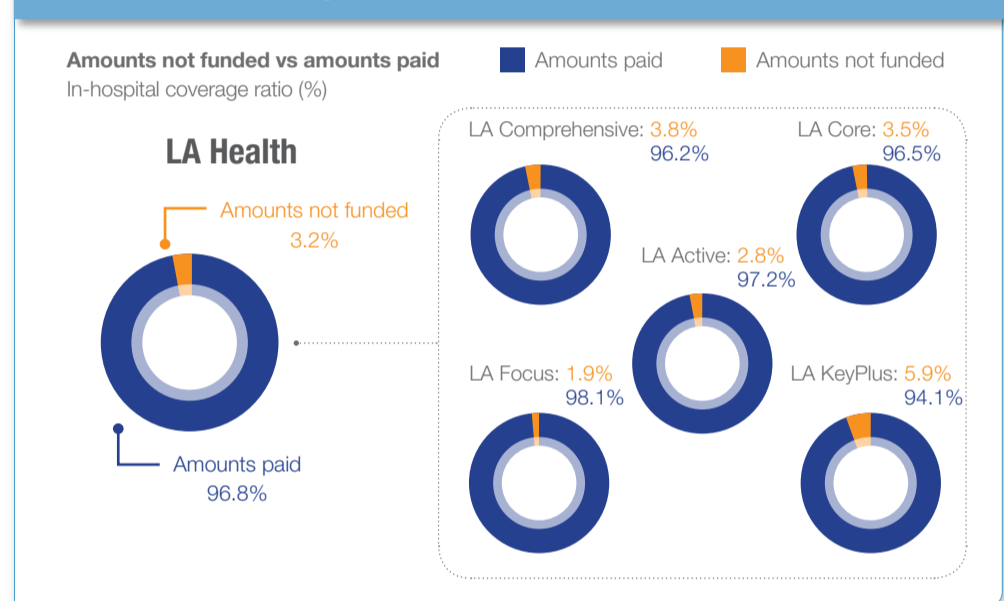
LA Active has been the fastest growing Benefit Option in the Scheme, and members continue to recognise the value it offers.

LA Health's flagship Benefit Option is competitively positioned and rapidly acquiring members



With exceptionally high levels of cover, members can rely on LA Health to look after their health.

LA Health offers high levels of cover on all Benefit Options



Cover ratios for specific conditions or treatments are also at high levels of above 90%. For example cover ratios for oncology treatment at 93.5%, out-of-hospital services at 94.9% and cover for chronic conditions at 92.6%.



The LA Health value proposition

LA Health caters for a wide range of healthcare and affordability needs, while providing members with peace of mind. The Scheme increases access to best-in-class service, advice and support, as well as access to a globally recognised wellness programme.

LA KeyPlus offering

KeyCare Network, unlimited hospitalisation, comprehensive day-to-day cover

Service, advice and support

First-rate call centre, informative website and first-class handling of claims and administration

Chronic Drug Amount

Increases access to non-formulary chronic medicine

Wide range of Options

Comprehensive care when you need it most

Wellness

Access to the world's largest and most successful wellness programme

Financial sustainability

Ongoing provision of valuable benefits and affordable contribution increases

Medical Savings Account

Allows carry over for future years

LA Health rewards members for making healthy choices

Through Discovery Health, LA Health members have access to an internationally acclaimed, science-based wellness programme. The programme is the largest of its kind in the world, and uses a combination of financial incentives and behavioural economic principles to encourage healthy behaviour and lower the barriers to living a healthy lifestyle.

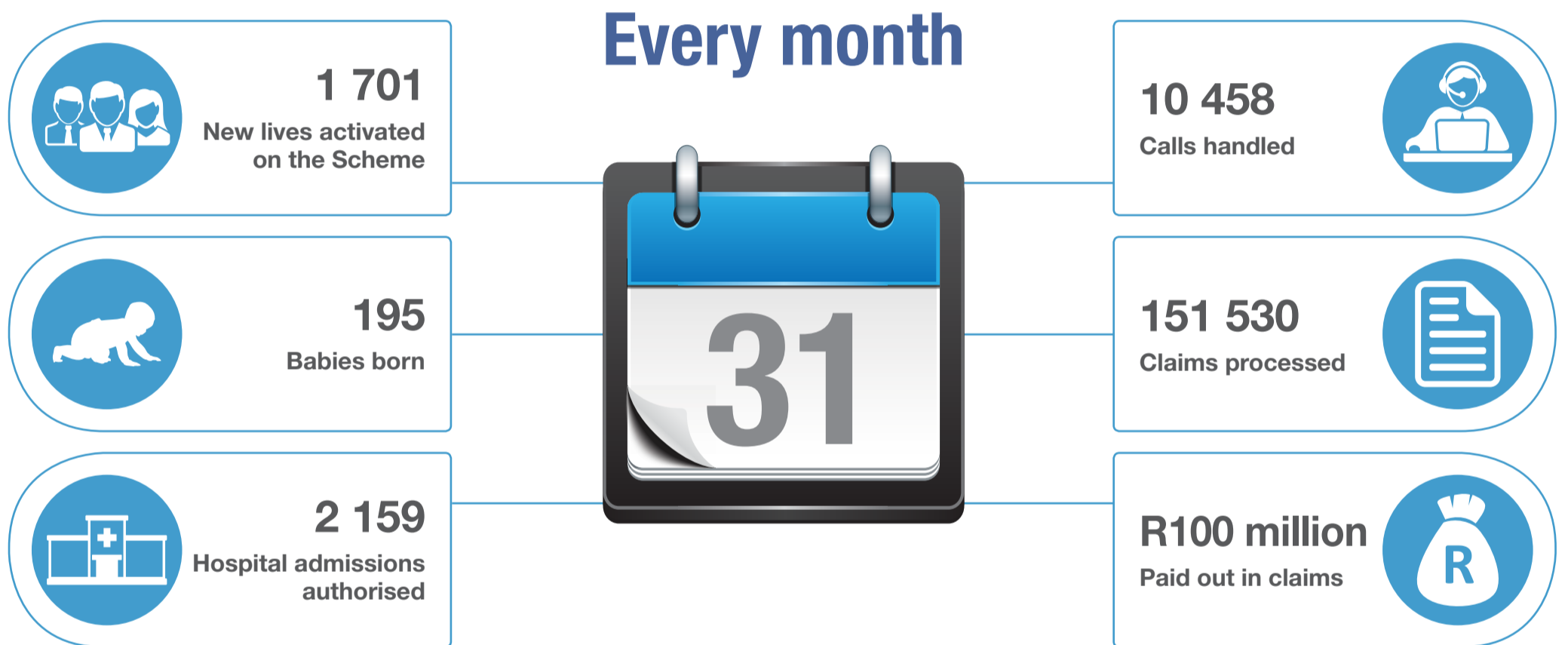
The programme is based on a sound clinical and actuarial foundation, and has since its launch in 1997 been continually guided by the latest research in health, wellness and behavioural psychology to become the world leader in wellness programmes. The result is a membership of over 1.6 million lives in South Africa, 3.1 million lives in the US, and 660 000 lives in the UK that are actively engaged in managing and improving their health through wellness interventions.

The programme has been the subject of a number of scientific studies over a period of close to 17 years. There is substantial, peer-reviewed evidence published in leading

international journals that shows the significant impact on health status, health costs and health outcomes of engagement in the programme. In short, members' health, hospital admissions and mortality rates improve the more they engage in the programme. As a result of this, employers benefit significantly from long-term healthcare cost savings, as well as from improvements in the health status, wellbeing and general productivity of employees.

With wellness currently at the forefront of healthcare issues globally, the programme has received considerable recognition – recently its role in addressing workplace wellness was acknowledged at the World Economic Forum Annual Meeting held in Davos, Switzerland, and it was also identified by AON-Hewitt as the leading wellness vendor for providing best-in-class services.

LA Health scale of operations



2014 Contributions



LA KeyPlus

Total monthly contributions

R 0 - R6 500	R 807	R 705	R 296	R 888
R6 501 - R9 000	R 852	R 745	R 311	R 933
R9 001+	R1 282	R1 141	R 479	R1 437

LA Focus

Total monthly contributions

R1 688	R 1 089	R 496	R1 488
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LA Active

Total monthly contributions

R 2 020	R1 359	R 670	R 2 010
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LA Core

Total monthly contributions

R 3 507	R 3 166	R 1 048	R3 144
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LA Comprehensive

Total monthly contributions

R 4 591	R 3 507	R 1 113	R 3 339
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Product updates for 2014

what you and the members of LA Health can look forward to



Making LA Focus available in all regions in 2014

LA Focus has been providing cost-effective, in-hospital and out-of-hospital cover to LA Health members in coastal provinces. This Benefit Option has been popular among employees and has grown consistently over the past five years. From 2014 we will extend the hospital network of LA Focus to include network hospitals in all provinces throughout South Africa, which means more local authority employees can choose the cost-effective cover of the LA Focus benefit option.

Look at the updated LA Focus list of network hospitals on www.lahealth.co.za.



An easier-to-use, richer dental benefit that encourages the use of cost-effective facilities

We have re-designed the benefit for specialised and basic dentistry. This new design will give LA Health members access to benefits that are easier to use and understand. LA Health members will have richer benefits for the most expensive claims.

How cover for specialised and basic dentistry will work in 2014

These updates apply to LA Comprehensive, LA Core, LA Active and LA Focus.

Benefit changes	Impact in 2014
1. Specialised and basic dentistry done in hospital	A deductible (an amount the member has to pay) will apply. Claims will be paid in full up to the LA Health Rate from the Major Medical Benefit.
2. Related accounts (professional fees) for in-hospital specialised dentistry	Related accounts will no longer be paid from day-to-day benefits, but from the Major Medical Benefit. On LA Comprehensive one limit applies in- and out-of-hospital, and specific limits apply on LA Core, LA Active and LA Focus.
3. Related accounts (professional fees) for in-hospital basic dentistry	These accounts will be paid from and be limited to available day-to-day benefits. On LA Comprehensive one limit will apply to related accounts (in- and out-of-hospital).
4. Specific deductibles (amounts the member has to pay) apply for treatment in hospital or at day-case facilities	A significant proportion of dental procedures already take place in day-case facilities. The deductibles will be: <ul style="list-style-type: none"> • R3 650 for admissions to a hospital • R2 400 for admissions to a day-case facility For children younger than 13 years the deductible will be R1 450 for an admission to a hospital and R700 for an admission to a day-case facility.
5. Out-of-hospital specialised and basic dentistry	Paid from and limited to available day-to-day benefits. On LA Comprehensive specific limits will apply to related accounts (in- and out-of-hospital).

What you and members of LA Health need to know

1. A list of day-case facilities will be available on www.lahealth.co.za.
2. These benefit updates don't apply to the LA KeyPlus benefit option.
3. The benefit updates do not apply to the list of procedures included in the Severe Dental and Oral Treatment Benefit, including:
 - Severe life-threatening infections
 - Internal temporomandibular joint surgical procedures
 - Cancer-related surgery
 - Severe trauma-related surgery
 - Cleft palate repair

The Scheme will continue to pay these costs from the Major Medical Benefit, subject to authorisation.



A summary of other product and benefit updates for 2014

1. No co-payment on out-of-hospital endoscopic procedures (LA Active and LA Focus)

Endoscopic procedures (gastroscopies, colonoscopies, sigmoidoscopies and protoscopies) will be paid from the Major Medical Benefit up to the LA Health Rate with no co-payment.

2. Introducing the Trauma Recovery Benefit on more Benefit Options – for extended day-to-day cover

From 2014, the Trauma Recovery Benefit will be available on LA Comprehensive, LA Core, LA Focus and LA Active. It is available after certain traumatic events and pays day-to-day claims from the Major Medical Benefit after discharge from hospital. The benefit pays day-to-day medical costs in the year of the traumatic event and in the year after it occurred. This benefit is already available on LA KeyPlus.

3. No limit on hip, knee and shoulder replacements when using preferred providers

LA Health has adopted the Discovery Preferred Provider Network on the LA Comprehensive, LA Core, LA Active and LA Focus benefit options. Devices obtained from a preferred provider for hip, knee and shoulder replacements, will be covered in full. A limit of R35 000 for each prosthesis for each admission will apply when the device is obtained from a non-preferred provider.

4. Renaming the Insured Procedures Benefit

The name of the Insured Procedures Benefit available on the LA Core and LA Active benefit options will change to the Extended Day-to-day Benefit. It is simply to help members better understand the cover it provides.

5. Changes to cover for terminal care

From 2014 there is lifetime limit of R40 000 for each person on the LA Comprehensive, LA Core, LA Active and LA Focus benefit options, and R28 500 on the LA KeyPlus benefit option for compassionate end of life care.

6. The rate at which specialists are paid for in-hospital care is changing on LA Focus

We will pay for specialists treatment in hospital up to 100% of the LA Health Rate. Claims will therefore be paid in full at a network specialist.

These are the main products and benefit updates to LA Health benefit options for 2014. For more details, visit www.lahealth.co.za.



LA Health members have access to their Benefit Option on the go

LA Health members will have access to their Benefit Option on their smartphone through the Discovery member app in 2014. This will include the following functionality:

Carry an electronic membership card

Track claims and medical spend

Personal health records

Request a document

Take a photo of a claim and send it to us

View information on hospital procedures

Order door-to-door medicine delivery

View Benefit Option information

Find a healthcare provider

View emergency contact details

Medical scheme subsidies are gradually decreasing in relative terms

Affecting local government employees' pockets in both the short and long term

The multi-year salary and wage collective agreement for 2012 to 2015 was signed in July of last year. The minimum wage payable in local government will increase in line with the collective bargaining agreement. Currently this minimum wage is set at R5 264 a month (effective from 1 July 2013).

Historically, the maximum employer contribution toward accredited medical schemes in the local government sector increased by the same percentage as salaries and wages. In the collective bargaining agreement, however, a phased approach with a negative sliding scale was agreed on, resulting in subsidies increasing at a lower rate when compared with increases in salaries and wages. The maximum subsidy is currently set at R3 558 (effective from 1 July 2013). This amount will be adjusted leading up to 2015 – resulting in a greater relative expense on healthcare cover for members of the accredited medical schemes.

The above is stated in the agreement as an attempt to introduce a completely new medical aid dispensation in the local government sector. As is the case in the public sector, it caps the maximum employer contribution at a specific amount.