

**MINUTES OF THE ANNUAL GENERAL MEETING OF MEMBERS OF LA HEALTH MEDICAL SCHEME HELD AT THE SOUTHERN SUN ELANGENI AND MAHARANI HOTEL, 63 SNELL PARADE, NORTH BEACH, DURBAN, ON WEDNESDAY, 15 AUGUST 2018 AT 14H00**

**PRESENT:**

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

Mr. G.J. Beukman	(Chairperson)
Mr. H.A. Deyssel	(Deputy Chairperson)
Mr. R. Barnard	
Mr. A. Bennett	
Mr. R. Bosman	
Ms. C. Botes	
Mr. H. Botha	
Mr. R. de Bruyn	
Mr. R. Denge	
Mr. M. Dlamini	
Mr. R. Field	
Mr. F. Hoffman	
Mr. P. Louwrens	
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)

**(v) Members**

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

**(vi) Apologies**

Mr. J. Allan	(Trustee)			
Mr. A. Lemmer	(Trustee)			
Mr. M. Jacobs	(Deputy General Manager: Finance)	Discovery	InHouse	
Mr. M. Deare	(Member)			
Mr. K. Goodsell	(Member)			
Mr. A. Bruce-Brand	(Member)			

## **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 2017**

The Minutes of the 2017 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 2017 Annual General Meeting as a true reflection of the relevant proceedings.

Proposer: Mr. A. Vorster

Seconder: Mr. R. Field

**Resolved:** That the Minutes of the LA Health Medical Scheme Annual General Meeting, held on 16 August 2017, 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 Average Membership growth as at the end of each financial year since 2005 is 9.8% per annum;
- (ii) As at June 2018 the Scheme already had 73,000 principal members and currently has over 74,500 principal members.
- (iii) LA Health had exceeded the 180,000 beneficiary mark and currently has over 182,000 beneficiaries;
- (iii) Subsequent to 2016 LA Health has become the 10<sup>th</sup> largest medical scheme in the medical schemes industry;
- (iv) Since 2009 LA Health grew from the second smallest scheme in local government to the largest in 2015, which has been maintained to date. The Scheme over the last 3 years was the only local government accredited medical scheme experiencing positive membership growth;

- (v) Covered lives in local government increased from 147,509 to 203,298, showing an average increase of 4% from 2009 to 2017. More than 80% of new appointees joined LA Health, and the Scheme has experienced 216% growth in membership since the commencement of the accreditation process.
- (vi) As at 31 March 2017, LA Health had 36% share of the total covered lives in local government

## **(b) Financial Performance**

- (i) The Scheme's net contribution income increased from R 2,1 billion in 2016 to R 2, 5 billion in 2017.
- (ii) The Scheme's healthcare expenditure increased from R 1, 8 billion in 2016 to R 2, 1 billion in 2017.
- (iii) The Scheme's non-healthcare expenditure increased from R 260 million in 2016 to R 301 million in 2017. This increase in expenditure is linked to membership growth.
- (iv) Other income is mainly interest on investments, which increased from R83 million in 2016 to R105 million in 2017;
- (v) The Scheme ended the year with a surplus of more than R 259 million;
- (vi) Since 2005 the Scheme's turnover increased from R 510 million to R 3, 5 billion in 2018;
- (vii) The Scheme's total investment portfolio is R 1, 6 billion, and through its conservative investment policy no money had 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 42.19% 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
- (viii) In 2017 after investment income all options were self-sufficient. The LA Active option was the fastest growing option with more than 60% of the membership.

## **(c) National Health Insurance (NHI)**

- The NHI Bill was published on 21 June 2018;
- The deadline for public comments is 21 September 2018;
- The NHI Fund will consist a single purchaser and financier of health services;
- There will be universal health cover for all, free at point of service;
- There will be a mandatory prepayment system;
- Medical schemes will play a supplementary role in the transition process;
- After implementation only, complementary cover will exist;
- The NHI comprehensive health service benefits must still be developed; and

- The financing model must still be finalised, which may include:
  - Restructuring of tax rebates
  - Dedicated payroll tax

### **Possible impact on members**

- Consolidation of all civil servants (employed in state owned enterprises, **municipalities**, intelligence agencies, defence & police services) – **government gazette 40969**;
- Restricted medical schemes in these entities might be forced to merge with GEMS;
- Restricted medical scheme cover. Medical schemes will not be able to cover services included in the NHI package;
- Members will have to make use of government accredited facilities on a referral basis;
- Members will have to pay for NHI and private cover; and
- There might be no employer subsidies.

### **The way forward**

- LA Health is a member of the Health Funders Association (HFA):
  - The HFA supports the implementation of sustainable universal healthcare for all South Africans;
  - The HFA is not in favour of a system that has unintended consequences and the potential to destroy the private healthcare sector;
  - The NHI may not be the solution to address the healthcare problems of SA;
  - Appointed experts will serve on a number of NHI implementation committees;
  - The HFA is a member of Business Unity South Africa (BUSA);
- A number of new laws will have to be put in place or amended;
- There might be a number of constitutional challenges, when these laws are eventually implemented; and
- The country cannot afford NHI as envisaged in the bill, and the implementation thereof will be a lengthy process

### **(d) Medical Schemes Amendment Bill**

- The Bill was published on 21 June 2018;
- The deadline for public comments is 21 September 2018;
- Important proposed changes include:
  - Strengthening governance and oversight for the CMS;
  - The implementation of contribution discounts for younger members;
  - Income cross subsidies;
  - Replacing PMBs with comprehensive service benefits;
  - Tightening up on broker services;
  - Closing loss-making options and small schemes;
  - Make-up and duties of trustees; and
  - Role of Principal Officer.

**(e) Health Market Inquiry (HMI)**

- The draft report had been released for comments after 4 years of work;
- Many delays due to contested consultants, data requirements, confidentiality and critique of methodologies;
- Overall hypothesis is significant market failure, evidenced by rising uncontrolled costs, caused by:
  - Information asymmetry;
  - Certain dominant market participants;
  - Excess and inefficiently used supply;
- Lack of oversight on the provider side of the market was identified;
- Lack of new entrants was identified;
- Lack of innovation was identified;
- Slow adoption of alternative reimbursement models was identified;
- Three factors that lie at the heart of the failure of funders were identified to be:
  - Profound lack of transparency;
  - Lack of accountability of medical schemes to members; and
  - Failure of governance that aligns medical scheme interest too closely to administrators;
- HMI recommendations to funders:
  - Strengthen governance;
  - Give more powers to the registrar of medical schemes;
  - Regionally-based medical schemes;
  - Standardisation of benefits;
  - Introduce a risk adjustment mechanism;
  - Introduce incentives to enable younger members to join medical schemes; and
  - Change the broker system.

**NOTED**

**3. Audited Annual Financial Statements and Auditor's Report for the year ended 31 December 2017**

The Chairperson of the Board of Trustees informed the meeting that a full set of the Audited Annual Financial Statements is available on the Scheme's website and can also be obtained from the Scheme 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 2017 be accepted.

Proposer: Mr. R. De Bruyn  
Seconder: Mr. H.A. Deysel

**Resolved:** That the Audited Annual Financial Statements and Auditor's Report for the year ended 31 December 2017, 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. R. Barnard  
Seconder: Mr. A. Vorster

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

5. **Announcement of re-appointment of the 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. The tender process for the appointment of the Scheme's external auditors for the period 1 January 2019 to 31 December 2021, is currently underway.

**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 2017 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 2017 be noted.

**Unanimously resolved:** That the Chairperson's Report: 2017 be **NOTED**.

The meeting also **NOTED** the **ANNOUNCEMENT** document, made available during registration, confirming that the following LA Health members were elected during the 2018 Trustee Election Process, to serve as Trustees on the Board of Trustees with effect from 1 July 2018:

1. Alan Bennett
2. Gawie Beukman
3. Rudi Bosman
4. Reuben Denge
5. Tokkie Deysel
6. Mavela Dlamini
7. Ron Field
8. Andre Lemmer

THE MEETING CONCLUDED AT 14h50

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**CHAIRPERSON**

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**DATE**