

**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, 14 AUGUST 2019 AT 14H00**

**PRESENT:**

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

Mr. G.J. Beukman (Chairperson)  
Mr. H.A. Deysel (Deputy Chairperson)  
Mr. R. Barnard  
Mr. A. Bennett  
Mr. R. Bosman  
Mr. R. de Bruyn  
Mr. R. Denge  
Mr. M. Dlamini  
Mr. R. Field  
Mr. F. Hoffman  
Mr. A. Lemmer  
Ms. C. Nel  
Mr. A. Vorster

(ii) **LA Health Audit Committee**

Mr. G. Buchholtz (Chairperson)

(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 (General Manager: Discovery InHouse Finance)

(v) **LA Health Consultants/Technical Advisors**

Mr. R. Leerkamp (NMG)

(v) **Members**

A total of 27 members and 4 observers, including Mr. L. Mdlalose, Compliance Officer from the Council for Medical Schemes, attended the meeting as per the attendance register.

(vi) **Apologies**

Mr. J. Allan (Trustee)  
Mr. H. Botha (Trustee)  
Mr. P. Louwrens (Trustee)

## AGENDA

**NOTE:** The Chairperson of the Board of Trustees announced that in terms of the Scheme's Rule 25.1.3, thirty members of the Scheme shall constitute a quorum. This had not been achieved, and consequently the meeting was postponed for a period of thirty minutes as provided for in the aforementioned Rule)

(Proceedings commenced 14h30 with a MOMENT of REFLECTION observed by all)

### 1. **WELCOME**

The Chairperson of the Board of Trustees welcomed all in attendance.

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

### 2. **MINUTES AGM 2018**

The Minutes of the 2018 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 2018 Annual General Meeting as a true reflection of the relevant proceedings.

Proposer: Mr. R. Field

Seconder: Mr. A. Vorster

**Resolved:** That the Minutes of the LA Health Medical Scheme Annual General Meeting, held on 15 August 2018, 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) As at 31 March 2019 LA Health's almost stood at 81,000 principal members;
- (ii) LA Health's membership grew by 10% from 31 March 2018 to 31 March 2019;
- (iii) LA Health's membership grew by 10% from 2018 to 2019;
- (iv) Only one other local government accredited medical scheme achieved positive membership growth, i.e. only by 1%;
- (v) LA Health had 39% local government market share as at 31 March 2019;
- (vi) LA Health celebrated its 200,000 beneficiary milestone in April 2019;

- (vii) As at 1 August 2019 LA Health had 82, 055 principal members and 203,700 beneficiaries;
- (viii) The covered lives in Local Government increased by 2% from 2018 to 2019; and
- (ix) The total increase in covered lives in Local Government from 2009 to 2019 is 60,454.

**(b) Financial Performance**

- (i) The Scheme's net contribution income increased from R2.5 billion in 2017 to R2, 9 billion in 2018.
- (ii) The Scheme's healthcare expenditure increased from R2, 1 billion in 2017 to R2, 4 billion in 2018.
- (iii) The Scheme's non-healthcare expenditure increased from R301 million in 2017 to R366 million in 2018. The majority of the increase in expenditure is linked to membership growth.
- (iv) Other income is mainly interest on investments, which increased from R105 million in 2017 to R124 million in 2018;
- (iv) The Scheme ended the year with a surplus of more than R246 million;
- (v) The Scheme's gross contribution income was R3,6 billion in 2018 and the budgeted gross contribution income is R4,3 billion for 2019;
- (vi) The Scheme's total investment portfolio is R1,8 million, and through its conservative investment policy no money had been invested in high risk instruments;
- (vii) The Scheme's solvency margin had been maintained above the 25% level required by the Medical Schemes Act and stood at 43.10% at year end. The Board of Trustees took a strategic decision to maintain the Scheme's solvency above 25% to fund growth in membership, and keep the Scheme sustainable;
- (viii) Based on the 2017 Medical Scheme Sustainability Index, compiled by Alexander Forbes, LA Health was rated the 2<sup>nd</sup> most sustainable medical scheme for 2017 out of the top 10 restricted and open medical schemes in the industry; and
- (viii) LA Health reported two loss-making options, namely the LA Comprehensive and LA Core Options, as a non-compliance issue in the Scheme's 2018 audited Annual Financial Statements.

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

- The NHI Bill was presented to the Cabinet 1 July 2019;
- Approved for submission to the National Assembly;
- The Bill was published on 8 August 2019 in the Government Gazette;

- Medical Schemes as we know it could disappear by 2026;
- Bill will undergo through rigorous parliamentary process:
  - public consultation
  - debated in National Assembly & National Council of Provinces
  - Bill will only be passed into a law after public consultation
  - LA Health's input will be directed through the Health Funders Association – in conjunction with BUSA & NEDLAC
- NHI Fund – will be based on a single purchaser & payer system
- Universal health cover for all – free at point of service
- **after 2026 medical schemes may only offer top-up cover**
- while medical schemes are still around – shift to standardised coverage package – on offer in public sector
- NHI mandatory prepayment system will be funded by:
  - diverting money away from provinces
  - review tax rebates
  - dedicated payroll tax for employees & employers
  - surcharge on personal income tax

#### **(d) Council for Medical Schemes Consolidation Strategy**

- Consolidation of all civil servants (employed in state owned enterprises, **municipalities**, intelligence agencies, defence & police services) into GEMS – **government gazette 40969**
- Can medical schemes be forced to merge with GEMS?:
  - currently legally not possible
  - CMS is expecting state funded medical schemes/employers to show political will to support consolidation as part of the implementation process of the NHI
  - BOT resolved to investigate a possible merger with SAMWUMED
  - at the 2017 AGM it was resolved that:
 

*“that the BOT do everything in their power to ensure the future existence of LA Health and to protect the rights of the members therein”*

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

- The Bill was published on 21 June 2018
- Deadline for public comment was 21 September 2018
- Important proposed changes include:
  - Strengthen governance and oversight by CMS
  - Contribution discounts for younger members
  - Income cross-subsidy
  - Replacing PMB's with Comprehensive Service Benefits
  - Tightening up on broker services
  - Closing loss-making Options and small Schemes
  - Make-up and duties of Trustees
  - Role of the Principal Officer

- The Medical Schemes Amendment Bill will be finalised after the NHI Bill and the publication of the final Health Market Inquiry report

**(f) Health Market Inquiry (HMI)**

- Draft report 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
- Lack of new entrants
- Lack of innovation
- Slow adoption of alternative reimbursement models
- Three factors that lie at the heart of the failure of funders
  - profound lack of transparency
  - lack of accountability of schemes to members
  - failure of governance that aligns Scheme interest too closely to administrators
- HMI recommendations to funders
  - strengthen governance
  - more power to the Registrar of Medical Schemes
  - regionally-based medical schemes
  - standardisation of benefits
  - risk adjustment mechanism
  - incentives for younger members to join medical schemes
  - changes to the broker system

**NOTED**

**3. Audited Annual Financial Statements and Auditor’s Report for the year ended 31 December 2018**

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 2018 be accepted.

Proposer: Mr. R. De Bruyn  
Secunder: Mr. A. Lemmer

**Resolved:** That the Audited Annual Financial Statements and Auditor’s Report for the year ended 31 December 2018, 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. Field  
Secunder: Mr. H.A. Deysel

**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 29 November 2018 adopted a recommendation from the Audit Committee that KPMG be awarded the tender for LA Health's external auditors for the financial period 1 January 2019 to 31 December 2021.

**NOTED**

6. **NOTICES OF MOTION**

The Principal Officer tabled the following motion received, compliant with Rule 25.1.5 of the Rules of the Scheme:

1. **Motion: Mr N. Lotter: Membership number 163562970**

I would like to know if / when LA Health will be including a benefit for hearing aids in one's annual "basket" of 2020 benefits. Currently, there is NO such benefit, meaning that the expenditure incurred in acquiring a set of hearing aids is paid from one's Medical Savings Account.

**MOTIVATION:**

- 1) If I recall correctly, the 2018 maternity benefits were enhanced for 2019 i.e. one's first stage of life. Surely it should follow then that there should be a benefit for those who are moving towards their last stages of life.
- 2) It seems to be fact of life that one can acquire noise-induced hearing loss during normal life, which can worsen as one ages, thereby negatively affecting one's quality of life.
- 3) As one ages, one's out-of-hospital medical and dental costs tend to escalate to the point that these benefits are exhausted well before the end of the year. To continue receiving medical support, one then would have to delve into one's discretionary savings. This will have a large negative impact on one's monthly cash flow and discretionary reserves, the value of which fluctuates almost daily due to the volatility of local and world share markets. It is no secret that investment growth over the last number of years has been negligible / negative, and the future does not look any

better. Now that humans are purported to be living longer, this is a pensioners worst nightmare.

- 4) Under these circumstances, I believe that is disrespectful to your senior members to expect them to pay for a set of hearing aids solely via their MSA. Even if this benefit was totally unused throughout the year, it would be hopelessly inadequate to cover the cost of the two devices. (i.e. probably only about 25%).
- 5) To make matters much worse, Audiologists report that due to the advances in technology, over which seniors have no control, these devices only have a lifespan of about five years. Because one's hearing also deteriorates as one ages, a hearing aid will in all likelihood become essential if one wants to maintain a certain quality of life.
- 6) This means a new set of hearing aids every five years or so, which means regular outlays of one's diminishing savings, if one still has some discretionary funds by then.
- 7) Should the current hearing aid benefit be the same in five years' time, i.e. NO BENEFIT, this will no doubt result in a much larger inflation-linked outlay from one's slowly-depleting discretionary reserves. In five years' time, one's financial situation will in all probability be somewhat worse than what it is now, meaning that one will have no option but to explore the ex-gratia process – not a satisfactory state of affairs, in my view.
- 8) I am pretty sure that there aren't many LA Health members (retired) who have additional sources of regular income over and above their monthly pensions, with which to absorb these additional pricey costs – in excess of R30000 per set.

**Resolved:** That the above-mentioned Motion be referred to the Board of Trustees for consideration during the 2020 product and pricing process to finalise the benefits for 2021.

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

The Chairperson of the Board of Trustees reminded the meeting that the Chairperson's Report for 2018 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.**

The Chairperson of the Board of Trustees called for a proposer and a seconder that the Chairperson's Report 2018 be noted.

Proposer: Mr. R. Field  
Seconder: Mr. A. Lemmer

**Resolved:** That the Chairperson's Report: 2018 be **NOTED.**

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 MEETING CONCLUDED AT 15h10

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**CHAIRPERSON**

\_\_\_\_\_  
**DATE**