



# Annual General Meeting 2023

## WE INVITE YOU TO ATTEND THE ANNUAL GENERAL MEETING OF LA HEALTH MEDICAL SCHEME.

### Event details

Date: Thursday, 29 June 2023

Time: 10:00

Where: Protea Hotel Durbanville, 99 Jip de Jager Drive, Vineyards Office Estate, Tyger Valley, Cape Town.

### Directions to the venue from Cape Town

- Follow the N1 in a Northerly direction to the Jip de Jager Dr/Mike Pienaar Boulevard/M16 in Loevenstein.
- Veer left and follow Jip de Jager to your destination in De Bron.

GPS coordinates: -33.85668, 18.62618.

### This invitation is our official notice of the annual general meeting

We will not deal with any claims or other personal queries at the Annual General Meeting. Members may contact the LA Health call centre on 0860 103 933 for help.

Please notify the Principal Officer of any motions at least 7 days before the date of the meeting if you would like to raise a motion for discussion.

Please send your motions by not later than 12:00 on Thursday, 22 June 2023.

#### How to send your motion

**Email:** [rdutoit@lahealth.co.za](mailto:rdutoit@lahealth.co.za)

**Post:** PO Box 652509, Benmore 2010

### Before the Annual General Meeting you may want to read the following documents:

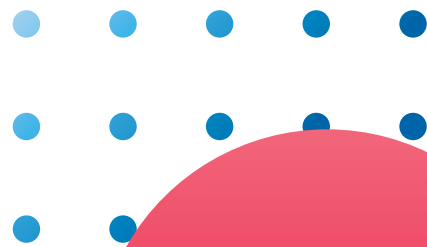
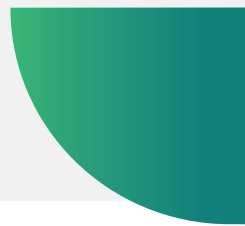
- The 2022 audited Annual Financial Statements
- The Trustees' report
- The draft minutes of the previous meeting, held on 30 June 2022

These documents are available on [www.lahealth.co.za](http://www.lahealth.co.za), or you can request copies from the call centre on **0860 103 933**.



## AGENDA FOR THE MEETING

1. Welcome and verification that the required number of members are present in the meeting.
2. Noting and approving the minutes of the Annual General Meeting held on 30 June 2022.
3. Consider and discuss the Annual Financial Statements and auditor's report for the year ended 31 December 2022.
4. Consider and discuss the Board of Trustees' annual report in line with Section 37[1] of the Medical Schemes Act [1998].
5. Confirm the Board's appointment of KPMG as the Scheme's external auditor for the 2023 audit.
6. Consideration: Notices of motions received for referral to the Board of Trustees for final decision.
7. Introduction of the Chairperson's Report



# CHAIRPERSON'S REPORT

The Board of Trustees is proud to present excellent financial results for 2022.

Locally and globally, however, the context remains challenging. The South African economy alone faced numerous headwinds, with interest rates and inflation at 13-year highs, and eroding business and consumer confidence.

I believe the efforts undertaken have positioned LA Health to withstand uncertainty and take advantage of an opportunity during a down, or upward cycle. Throughout the pandemic, in 2020 and 2021, the Scheme maintained a strong financial position and was able to cover healthcare costs incurred by our members. In 2022, although we've seen an increase in healthcare costs, the Scheme's financial position continued to improve, and membership continued to grow.

During the COVID-19 pandemic and continuing into 2022, members unfortunately missed some planned medical procedures, and many did not undergo regular preventative screening tests. Although this does result in a (short-term) cost saving for the Scheme, it is not worth the possible future burden of disease that may worsen and negatively impact members' health. Basic healthcare screening is important to detect early symptoms of some of the most serious conditions and place members in a position to make informed decisions about their health and benefits.

## Trustees

### The following persons serve as members of the Board of Trustees of LA Health Medical Scheme:

Mr GJ Beukman (Chairperson)	Mr HA Deysel
Mr R Denge (Deputy Chairperson)	Mr MAV Dlamini
Mr RC Barnard	Mr RJ Field
Mr AJ Bennett	Mr A Lemmer
Mr RG Bosman	Mr S Mabunda
Mr HF Botha	Mr CL Mavuso
Ms MN Chidi	Ms C Nel
Mr R de Bruyn	Mr S Yamba

## Appointment of the Auditor

The Board of Trustees appointed KPMG as the Scheme's external auditor for the financial year ending 31 December 2023. In ensuring the external auditor remains independent and objective, KPMG will rotate off as Scheme auditor at the end of the 2023 financial period, and the Scheme will be embarking on a process to identify and appoint a suitable accredited audit firm.

## Risk management

Risk is defined as the possibility of an event occurring that could have a negative impact on the achievement of the Scheme's strategic objectives.

The Board of Trustees has adopted a practical risk management approach to identify, assess, and agree on risks and risk mitigation steps to manage and control these risks.

Ultimately, the Board of Trustees is responsible for managing these risks, with oversight being provided by the Audit and Risk Committee.

## The Scheme's financial performance

In 2022, the Scheme's financial performance was better than budget, as fewer COVID-19 claims were incurred as the prevalence of the virus decreased. There has also been a lower-than-expected increase in non-COVID-19-related benefit use. Although these trends are expected to normalise over time, the Scheme is still experiencing lower than expected claims costs in 2023.



## Financial performance overview

METRIC	2022 VS 2021 ACTUALS		CURRENT STATUS
Membership	+3 812 members	↑	Membership increased to 95 944 from 92 132 principal members at the end of 2021. This is a 4.14% year-on-year growth.
Average age of beneficiaries	no change	—	The average age of the beneficiaries (29.25 years) did not change from 2021. This is lower than the industry average of 33.71 years (CMS:2021).
Proportion of lives over the age of 65	no change	—	The pensioner ratio remained at 4.65% from 2021. This is lower than the industry average of 9.06% (CMS:2021).
Reserve Ratio	1.36%	↑	The reserve ratio increased to 53.88% (R3.057bn) in 2022, up from 52.52% in 2021. The reserves exceed the required level of 25%.
Accumulated funds per member	+R1 451	↑	The accumulated funds per member increased to R31 782 from R30 331 at the end of 2021.
Operating surplus (before investment income)	-R196.8m	↓	An operating surplus of R87 million was achieved in 2022, compared to a surplus of R284 million in 2021.
Investment income	R49.6m	↑	The investment income was higher: R162.2 million in 2022 vs R112.6 million in 2021.
Claims ratio	4.1%	↑	The claims expenses as a percentage of risk contributions increased to 85.8% from 81.7% in 2021, in line with the expected trends after the wind-down of the pandemic. This is lower than the industry average of 90.94% (CMS:2021).
Non-healthcare costs	0.40%	↑	Non-healthcare costs were marginally higher at 11.9% at the end of 2022, compared to 11.6% in 2021. This is higher than the industry average of 8.66% (CMS:2021).

<sup>1</sup>CMS:2021 refers to the latest report of the Council for Medical Schemes

## Other industry issues

The Scheme is affected by the following industry issues:

### National Health Insurance (NHI)

On 8 August 2019, the draft National Health Insurance Bill was introduced in Parliament. After lengthy public hearings, which were conducted from May 2021 to 23 February 2022, and further deliberations in the National Assembly during 2022, the Parliamentary Legal Services and the State Law Advisors provided their opinions to Parliament in March 2023. The work continues towards the finalisation of the draft Bill in preparation for it being moved to the provincial structures for their review and input.

The Scheme is monitoring the progress made towards the implementation of National Health Insurance, but do not believe that it will impact the Scheme during 2023.

### Section 59 Inquiry

Since publishing the interim findings to their investigation into allegations of racial bias and discrimination in the management of fraud, waste, and billing abuse (FWA) by medical schemes and their administrators in January 2021, the Panel appointed by the Council for Medical Schemes to conduct the investigation has not published a final report.

Discovery Health (Pty) Ltd, the Scheme's administrator, has in the interim reviewed their processes to manage Fraud Waste and Abuse (FWA) and has, in collaboration with the relevant stakeholders, made some changes to ensure a transparent and inclusive processes.

### Court case lodged by the South African Society of Physiotherapy

In 2022, the SA Society of Physiotherapists (SASP) lodged a court case against all medical schemes, administrators, the Minister of Health, and the Council for Medical Schemes, alleging that Section 59(3) of the Medical Schemes Act is unfair and unconstitutional. The remedy they seek is that this section of the Act should be declared unconstitutional and invalid. LA Health, through Discovery Health, is contesting this action.

### Competition Commission complaint lodged by the Health Funder's Association

On March 6, 2023, the Health Funder's Association (HFA) made a complaint to the Competition Commissioner on behalf of 35 medical schemes, which represent over 5.6 million people. The Scheme has joined this action.

The complaint is about the pricing of COVID-19 PCR tests by some South African pathology labs during the COVID-19 pandemic (from March 2020 to December 2021). The HFA initiated this complaint under a certain section of the Competition Act, No. 89 of 1998 against three pathology groups: Ampath, Pathcare, and Lancet Laboratories.

The costs of this complaint are divided proportionally among those who joined, based on their membership.



## Other matters affecting the scheme

### Routine Council for Medical Schemes inspection

The Council for Medical Schemes performed a routine inspection of the Scheme in 2020 and issued directives in terms of Section 6(2)(a) of the Financial Institutions (Protection of Funds) Act 28 of 2001, on 15 December 2020.

The Scheme took steps to comply with the Council's directives, except for three directives, against which the Scheme lodged appeals. No hearing dates have been set by the Council for Medical Schemes and the three directives appealed remain suspended, pending the outcome of the hearing.

### Appointment of Administrator and Managed Care provider

In February 2022, the Scheme started a process to find a company to help with administration and managed care services. The Board of Trustees created a Tender Committee to handle the process, and they hired Nexia SAB&T to give advice and support to the committee. Nexia SAB&T helped with putting together the procurement plan, tender specifications, and overall tender document.

Thirteen Administrators and Managed Healthcare Organisations, which were believed to be able to provide efficient service to LA Health Members, were invited to submit proposals, to which four of them responded. The Board of Trustees considered different factors mentioned in the tender document, such as their operating systems, key personnel, and costs, among others. Based on the recommendation from the Tender Committee, the Board of Trustees awarded the tender to Discovery Health (Pty) Ltd.

### Complaints

2022 has not been without its challenges, as the Scheme, where it is in the best interest of our members, continue to oppose complaints lodged against the Scheme.

### In closing

We are giving attention to the threat to our members' health because of the COVID-19 pandemic, specifically where members did not seek care, or neglected to undergo preventative screenings.

The balancing act between having affordable contribution increases and the high demand for healthcare services, remains a challenge for the industry. It underlines the need for the Scheme to continue looking for ways to be more effective and efficient.

The Trustees are comfortable that the Scheme continues to be sustainable, offering excellent value to our members. Our focus is on ensuring peace of mind through covering all appropriate major medical expenses at affordable contribution rates.

Thank you for your continued support to the Scheme and Trustees.

**Gawie Beukman**  
Chairperson



# HIGHLIGHTS OF FINANCIAL RESULTS FOR 2022

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	2022	2021
	R	R
<b>ASSETS</b>		
Non-current assets	<b>4 068 115</b>	<b>5 275 540</b>
Property and equipment	4 068 115	5 275 540
Current assets	3 922 184 047	3 595 296 233
Trade and other receivables	309 013 483	250 360 089
Held-to-maturity investments	2 337 710 184	2 276 151 957
Scheme funds	2 202 710 184	2 141 151 957
Medical Savings Account trust funds	135 000 000	135 000 000
Cash and cash equivalents	1 275 460 380	1 068 784 187
Scheme funds	833 134 263	663 983 198
Medical Savings Account trust funds	442 326 117	404 800 989
<b>Total assets</b>	<b>3 926 252 162</b>	<b>3 600 571 773</b>
<b>FUNDS AND LIABILITIES</b>		
Members' funds	3 044 481 729	2 794 434 811
Accumulated funds	3 044 481 729	2 794 434 811
Non-current liability	2 589 000	2 530 000
Post retirement healthcare funding liability	2 589 000	2 530 000
Current liabilities	879 181 433	803 606 962
Outstanding risk claims provision	147 485 399	159 398 594
Medical savings account trust liability	582 249 741	534 076 683
Trade and other payables	149 446 293	110 131 685
<b>Total funds and liabilities</b>	<b>3 926 252 162</b>	<b>3 600 571 773</b>



# HIGHLIGHTS OF FINANCIAL RESULTS FOR 2022

STATEMENT OF COMPREHENSIVE INCOME		
	2022	2021
	R	R
<b>RISK CONTRIBUTION INCOME</b>	<b>4 511 039 114</b>	<b>4 261 532 411</b>
<b>RELEVANT HEALTHCARE EXPENDITURE</b>	<b>(3 883 548 029)</b>	<b>(3 481 807 036)</b>
Net claims incurred	(3 784 050 487)	(3 385 653 252)
Risk claims incurred	(3 792 522 600)	(3 394 356 159)
Third party claims recoveries	8 472 113	8 702 907
Net income/expense on risk transfer arrangements	1 107 250	(2 354 593)
Risk transfer arrangement fees/premiums paid	(36 245 032)	(28 277 823)
Recoveries from risk transfer arrangements	37 352 282	25 923 230
Managed care: management services	(100 604 792)	(93 799 191)
<b>GROSS HEALTHCARE RESULTS</b>	<b>627 491 085</b>	<b>779 725 375</b>
Broker services fees	(114 314 673)	(99 459 123)
Administration fees	(390 250 320)	(363 088 836)
Sundry expenses	(23 724 419)	(21 280 431)
Impairment losses on healthcare receivables	(12 060 205)	(11 865 598)
<b>NET HEALTHCARE RESULTS</b>	<b>87 141 468</b>	<b>284 031 387</b>
<b>OTHER INCOME</b>	<b>194 344 071</b>	<b>133 651 793</b>
Investment income	192 648 507	133 122 221
Scheme	162 282 361	112 688 308
Return on medical savings account trust monies invested	30 366 146	20 433 913
Sundry income	1 695 564	529 572
<b>OTHER EXPENDITURE</b>	<b>(31 569 621)</b>	<b>(20 433 913)</b>
Interest paid on medical savings accounts	(30 366 146)	(20 433 913)
Impairment loss	(1 203 475)	-
<b>NET SURPLUS FOR THE YEAR</b>	<b>249 915 918</b>	<b>397 249 267</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>131 000</b>	<b>(80 000)</b>
Actuarial gain/(loss) on post-retirement healthcare funding liability	131 000	(80 000)
<b>Total comprehensive income for the year</b>	<b>250 046 918</b>	<b>397 169 267</b>



# HIGHLIGHTS OF FINANCIAL RESULTS FOR 2022

## STATEMENT OF CHANGES IN FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	R	R
	Accumulated funds	Accumulated funds
Balance at 1 January	2 794 434 811	2 397 265 544
<b>CHANGES IN FUNDS AND RESERVES</b>	<b>131 000</b>	<b>(80 000)</b>
Actuarial (loss)/gain on post retirement healthcare funding liability	131 000	(80 000)
Net surplus for the year	3 044 481 729	397 249 267
<b>Balance at 31 December</b>	<b>3 044 481 729</b>	<b>2 794 434 811</b>





# HIGHLIGHTS OF FINANCIAL RESULTS FOR 2022

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	R	Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from members and providers	<b>5 659 359 838</b>	<b>5 201 961 741</b>
- Cash receipts from members - contributions	5 623 036 131	5 189 198 349
- Cash receipts from members and providers – other	36 323 707	12 763 392
Cash paid to providers, employees and members	<b>(5 522 560 829)</b>	<b>(4 954 411 675)</b>
- Cash paid to providers and members – claims	(4 964 271 382)	(4 449 006 126)
- Cash paid to providers and employees – non-healthcare expenditure	(527 652 880)	(484 420 701)
- Cash paid to providers and employees – refunds	(30 636 567)	(20 984 848)
<b>Cash generated from/used in operations</b>	<b>136 799 008</b>	<b>247 550 066</b>
Interest paid	(30 336 146)	(20 433 913)
<b>Net cash flows from operating activities</b>	<b>106 432 862</b>	<b>227 116 153</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(59 157)	(63 351)
(Additions)/disposals to held-to-maturity investments	(61 558 227)	(1 569 651 957)
Scheme funds	(61 558 227)	(1 637 151 957)
Medical Savings Account trust funds	-	67 500 000
Interest income	161 860 714	119 084 655
<b>Net cash flows from investing activities</b>	<b>100 243 330</b>	<b>(1 450 630 653)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>206 676 192</b>	<b>(1 223 514 500)</b>
Cash and cash equivalents at beginning of year	1 068 784 187	2 292 298 687
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1 275 460 380</b>	<b>1 068 784 187</b>
Scheme funds	833 134 263	663 983 198
Medical Savings Account trust funds	442 326 117	404 800 989



# HIGHLIGHTS OF FINANCIAL RESULTS FOR 2022

## NOTES TO THE FINANCIAL STATEMENTS

	2022	2021
	R	R

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up of the following year end balances:

Current accounts	102 205 522	126 596 452
Money market instruments	730 928 741	537 386 746
<b>Total</b>	<b>833 134 263</b>	<b>663 983 198</b>

The weighted average effective interest rate on cash and cash equivalents was 4.40% (2021 - 3.50%). These funds have an average maturity of 1 day (2021 - 1 day).

At 31 December 2022, 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

Current accounts	10 321	8 174 099
Money market instruments	442 315 796	396 626 890
<b>Total Medical Savings Account trust funds invested</b>	<b>442 326 117</b>	<b>404 800 989</b>

The weighted average effective interest rate on cash and cash equivalents was 6.87% (2021 - 3.5%). These funds have an average maturity of 1 day (2021 - 1 day).

At 31 December 2022, the carrying amounts of cash and cash equivalents approximate their fair values due to the short term maturities of these assets.

<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>1 275 460 380</b>	<b>1 068 784 187</b>
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### MEDICAL SAVINGS ACCOUNT TRUST LIABILITY

Balance on Medical Savings Account liability at the beginning of the year	534 076 683	460 579 945
Add:		
Medical Savings Account contributions received for the current year	1 139 210 306	1 058 952 774
Transfers received from other medical schemes	676 932	1 067 817
Return on Medical Savings Account trust monies invested	30 366 146	20 433 913
Less:		
Claims paid on behalf of members	(1 091 443 759)	(985 972 918)
Refunds on death or resignation	(30 636 567)	(20 984 848)
<b>Balance on Medical Savings Account liability at the end of the year</b>	<b>582 249 741</b>	<b>534 076 683</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

	2022	2021
	R	R

In accordance with the Rules of the Scheme, the Medical Savings Account is underwritten by the Scheme.

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

Estimated claims to be paid out of Medical Savings Accounts in respect of claims incurred in 2022, but not reported

**7 324 095**

**6 871 575**

Actual interest earned, net of related expenses, is paid on Medical Savings Account balances. Investment of Medical Savings Account trust monies, managed by the Scheme on behalf of its members, has been separately disclosed.

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

At 31 December 2022 the carrying amount of the Medical Savings Account 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

The accumulated funds ratio is calculated on the following basis:

Total members' funds per Statement of Financial Position

3 044 481 729

2 794 434 811

**Accumulated funds per Regulation 29**

**3 044 481 729**

**2 794 434 811**

**Gross contribution income**

**5 650 249 420**

**5 320 485 185**

**Solvency margin**

**= Accumulated funds / annualised gross contribution income x 100%**

**53.88%**

**52.52%**

The required solvency has been maintained throughout the year.



## NON-COMPLIANCE MATTERS

### 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 becoming due.

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

The Scheme follows certain procedures to collect any outstanding contributions.

### Claims paid after 30 days

In exceptional cases, claims were paid later than 30 days after the date on which it was submitted to the Scheme. This usually resulted from members or providers submitting claims without the required details for payments to be made.

These are isolated cases that do not have a material effect on the Scheme.

The necessary assistance is provided to the affected members and healthcare providers to ensure that the impact of these cases is minimised.

## KEY FINANCIAL AND SERVICE METRICS

	2022 R	2021 R
Member's funds	R 3 044 481 729	R 2 794 434 811
Solvency Ratio	53.88%	52.52%
Gross contribution income	R5 650 249 420	R5 320 485 185
Risk contribution income	R 4 511 039 114	R 4 261 532 411
Accumulated funds per member	R 31 732	R 30 331



## OPERATIONAL STATISTICS

2022	LA COMP	LA CORE	LA ACTIVE	LA FOCUS	LA KEYPLUS	TOTAL
Number of members at the end of the accounting period	1 166	3 602	63 492	21 204	6 480	95 944
Average number of beneficiaries for the accounting period	1 520	5 299	166 326	52 459	14 855	240 459
Average age per beneficiary (years)	69.91	67.57	28.74	26.71	28.26	29.25
Pensioner ratio (beneficiaries 65 years and older)	70.75%	68.69%	3.29%	1.27%	1.32%	4.65%
Average risk contribution per member per month	R 8 085.57	R 6 785.32	R 4 182.45	R 3 045.20	R 2 456.89	R 3 969.66
Average relevant healthcare expenditure per member per month	R 7 703.31	R 7 052.43	R 3 603.91	R 2 360.84	R 2 086.65	R3 417.47
Relevant healthcare expenditure as a percentage of risk contributions	95.3%	103.9%	86.2%	77.5%	84.9%	86.1%
Administration fee per member per month	R 356.28	R 356.28	R 356.28	R 356.28	R 178.17	R 338.96
Non-healthcare expenditure as a percentage of risk contributions	6.1%	6.8%	11.8%	16.0%	11.5%	11.9%







● Client Services 0860 103 933 ● Fax 011 539 7276 ● [www.lahealth.co.za](http://www.lahealth.co.za)  
● [service@discovery.co.za](mailto:service@discovery.co.za) ● Report fraud anonymously 0800 004 500



LA-Health



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