

MINUTES OF THE ANNUAL GENERAL MEETING OF MEMBERS OF LA HEALTH MEDICAL SCHEME HELD ON THURSDAY, 29 JUNE 2023

PRESENT:

27 Members

1 Scheme official / 2 Administrator officials / 1 Actuary; 2 Observers and 1 CMS representative as per the Attendance Register.

NOTE: The meeting was scheduled for 10h00 but a quorum of 30 members was not achieved at such time. Pursuant to Scheme Rule 25.1.3, the Annual General Meeting proceeded at 11h00.

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 conveyed a special word of welcome to Mr. S. Mdluli from the Council for Medical Schemes, who was in attendance as an Observer.

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

Apologies

Mr. A. Lemmer (Trustee)

Ms. F. Mohamed (Chairperson: Audit & Risk Committee)

2. MINUTES OF THE 2022 ANNUAL GENERAL MEETING HELD ON 29 JUNE 2023

The Chairperson of the Board of Trustees informed the meeting that the Minutes of the 2022 Annual General Meeting had been distributed to all members, are available on the Scheme's website, and also available on request from the Scheme's Call Centre.

The Chairperson of the Board of Trustees called for a proposer and a seconder for the adoption of the Minutes of the 2022 Annual General Meeting as a true reflection of the relevant proceedings. The adoption of the minutes was proposed and duly seconded.

Resolved: That the Minutes of the LA Health Medical Scheme Annual General Meeting, held on 30 June 2022, be **CONFIRMED**.

Proposed: Mr. H. Deysel

Seconded: Mr. L. Schröner

At this juncture, the Chairperson of the Board of Trustees called on the Principal Officer, Mr. A.M. de Koker, to address the meeting and also to deal with Item 3, Annual Financial Statements and Auditor's Report for the year ended 31 December 2022 and Item 4. Board of Trustees' Annual Report (as per Section 37 (1) of the Medical Schemes Act, 1998.

3. CONSIDER AND DISCUSS THE ANNUAL FINANCIAL STATEMENTS AND AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

This matter was addressed together with Agenda Item 4, below.

4. CONSIDER AND DISCUSS THE BOARD OF TRUSTEES ANNUAL REPORT

The Principal Officer, in addressing Agenda Items 3 and 4, delivered a PowerPoint presentation and highlighted the following:

(a) GOVERNANCE

(i) Administration and Managed Care Tender

- a. In 2021, the Board of Trustees resolved that the Scheme should test the market to ensure members are receiving value for money, and as such, go out to tender for Administration and Managed Care services.
- b. A Tender Committee was established to oversee the tender process and make recommendations to the Board of Trustees.
- c. An independent Audit firm was appointed to manage the process, and all administrators accredited by the Council for Medical Schemes were invited in February 2022 to tender by the closing date of 18 March 2022.
- d. Four administrators responded to the invitation, and only two administrators qualified through to the final process of evaluation.
- e. The Board of Trustees awarded the tender, based on the recommendation of the Independent Audit firm, as supported by the Tender Committee, to Discovery Health (Pty) Ltd.
- f. The Scheme entered into a five-year contract with Discovery Health (Pty) Ltd, for administration and managed healthcare services.

(ii) 2024 Trustee election year

- a. In terms of the Scheme Rules, the Board of Trustee may consist of no more than sixteen (16) Trustees, and a minimum of ten (10) Trustees. Ten (10) Trustees must be nominated and elected from among members, and six (6) Trustees appointed by the Board of Trustees, based on the need for knowledge, skill, experience, and diversity.
- b. Trustees serve a term of office of six (6) years, and retiring Trustees are eligible for re-election, provided they serve no more than two (2) consecutive terms and no more than three (3) terms all together.

- c. In 2024, eight (8) Trustees term of office expires, and only two (2) of the eight (8) Trustees are eligible to avail themselves to be re-elected. Members are assured though, that a staggered rotation of Trustees is in place, to ensure a continuation of skills and knowledge.
- d. The Board of Trustees have resolved that an independent company be appointed to manage the electronic voting process.
- e. The draft election process timelines are:
 - i. The call for nominations will be begin as early as 29 January 2024;
 - ii. The closing date for nominations is to be on 31 March 2024;
 - iii. Members are to receive their ballot to vote, by 23 April 2024;
 - iv. The ballot, voting process closes on 24 May 2023.
- f. The meeting was reminded that the Rules relating to the composition of the Board was amended a few years ago to provide for the appointment of Trustees, as the natural democratic election process do not always yield a desired mix of skill, knowledge, and race on the Board of Trustees.
- g. The election results will be subjected to an independent verification and the successful candidates will undergo a stringent vetting process to ensure they are fit and proper to serve on the Board of Trustees, as required by the Medical Schemes Act, and as the Scheme is required to confirm this with the Registrar of Medical Scheme.
- h. The successful candidates, new Trustees, will be required to undergo induction.

(b) SCHEME PERFORMANCE

(i) Membership

- a. The Scheme once again performed well in membership growth; as at 31 December 2023, there were 95 900 principal members. Briefly reflecting on the 2022 membership growth, the Principal Officer was delighted to inform the meeting that the Scheme exceeded 100 000 principal members. Reflecting on when he started at the Scheme, when it only had 11 500 principal members: the growth signals great performance.

The meeting applauded the Scheme's achievement.

- b. The growth in membership is a result of a number of factors, but importantly an indication of a diligent and dedicated team, which includes the Board of Trustees, Administrator, Scheme Actuary, and all stakeholders, who were thanked. Members of the Scheme were particularly thanked for their support and continued loyalty.
- c. The Scheme's competitors within Local Government have stated a loss in membership, which have contributed to the Scheme's growth, but also the attraction of new employees within Local Government.
- d. As at 31 March 2022, when the Scheme is required to reapply for accreditation with the South African Local Government Bargaining Council, audited data shows that the Scheme reached forty-three per cent (43%) market share, which increased to forty-six per cent (46%) market share, the same time in 2023.

(ii) Solvency

- a. The solvency ratio of a medical scheme, as required by the Medical Schemes Act, refers to the scheme's accumulated funds as a percentage of its gross annual contributions, which includes the Medical Savings Account contributions.
- b. Importantly, growth in membership results in a decrease in solvency as more contributions are received affecting the solvency calculations, reduce the solvency percentage. Notwithstanding that, as at 31 December 2022 the Scheme reported a solvency level of 53%, which has reduced in January 2023 by approximately three (3) per cent due to the new growth in membership. Despite this growth, the Scheme remains financially sustainable, and the Board of Trustees are considering and implementing healthy sustainable measures of reducing the solvency level to an acceptable percentage.
- c. LA Health's solvency is comparative to its competitors, with the exception of SAMWUMED, which reports a much higher solvency as it is a low-cost benefit option scheme.

(iii) Non-healthcare expenditure

- a. The majority of the non-healthcare expenditure relates to administration and managed healthcare cost; though notably is that non-healthcare expenses are below ten (10) per cent of total expenses.

(iv) Operational Results

- a. LA Health continues to report healthy operational results, which reflects contributions income less expenditure, before investment income.

The Principal Officer, Mr. A.M. de Koker, paused to remind the meeting where and / or how a copy of the full Annual Financial Statements may be obtained.

- b. For 2022, Net Contribution Income is reported as R4.5b, Healthcare Expenditure as R3.8b, Non-healthcare expenditure as R540m, and the Scheme reported a surplus of R250m.
- c. In comparison to all medical schemes in South Africa, LA Health is one of the top five (5) biggest medical schemes.
- d. Other income is reported at R194m, which is mainly driven by investment income which is managed conservatively by the Scheme itself.

(c) Trustee Remuneration

- (i) The amount remunerated to Trustees, as provided for in the Remuneration Policy and approved by the Annual General Meeting, must be considered in light of the size and complexity of the Scheme itself.
- (ii) It is notable that LA Health does not feature in the Council for Medical Schemes "Top 20" highest remunerated Trustee, based on the total costs spent, per trustee, despite being one of the five (5) largest medical schemes. This is an indication that LA Health Trustees are not being handsomely compensated, in comparison to the industry.
- (iii) As required by the Registrar of Medical Schemes, the Annual Financial Statements contain a detailed breakdown of the amounts remunerated to, and incurred for travel etc by, each Trustee.
- (iv) Remuneration is based on a Remuneration Policy, which was developed by an external professional and approved by the Annual General Meeting from time to time. The policy provides that Trustees be remunerated by way of a retainer, which may be increased by CPI +2% annually. Trustees are not paid a meeting fee, as such arrangement has the potential of being abused.

(d) Industry Developments

(i) National Health Insurance

- a. The National Health Insurance Bill was recently approved by the National Assembly, notwithstanding a number of contentious submissions made against the Bill. It will now serve before the National Council of Provinces for consideration. If and once approved by the National Council of Provinces, the Bill will proceed to the President for final approval.
- b. If NHI is fully implemented as the Bill envisage, medical schemes will only be entitled to offer complementary cover. However, it is foreseen that the Bill, at the appropriate time, will be subjected to several legal constitutional challenges, which will prolong the immediate impact on medical schemes.

(ii) Section 59 Investigation – Fraud, Waste, & Abuse (Unfair racial discrimination)

- a. The Council for Medical Scheme's Panel into allegations of unfair racial discrimination of healthcare providers by schemes and administrators published a draft report in January 2021 and stakeholders were invited to make submissions by April 2021.
- b. The Panel, on 26 & 27 June 2023 heard oral legal representation from stakeholders, with no clarity when a final report will be published.

Members were given an opportunity to make comments and or raise questions, which were responded to after each subheading.

The members at the Annual General Meeting **received and noted** the Annual Financial Statements, Auditors Report, and Board of Trustees' Annual Report together with the presentation thereon by the Principal Officer.

Resolved:

- (1) That, the Annual Financial Statements, Auditors Report, and Board of Trustees' Annual Report together with the presentation thereon by the Principal Officer, be **NOTED**.
- (2) That, the Board of Trustees continue to protect the best interest of the members and the Scheme in taking appropriate action to oppose the National Health Insurance (Act) to the extent that National Health Insurance would negatively affect the Scheme, and Members.

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

The Chairperson of the Board of Trustees announced that the Board of Trustees adopted a recommendation from the Audit & Risk Committee that KPMG be re-appointed as LA Health’s external auditors for the financial period 1 January 2023 to 31 December 2023.

NOTED

6. **Consideration: Notices of Motion for referral to the Board of Trustees for consideration**

The Chairperson of the Board of Trustees announced that no valid motions had been received for consideration.

NOTED

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

The Chairperson of the Board of Trustees reminded the meeting that the Chairperson’s Report for 2022 formed part of the Notice Convening the Annual General Meeting.

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

Resolved: That the Chairperson’s Report: 2022 be **NOTED**.

In conclusion, the Chairperson of the Board of Trustees paid tribute to the Deputy Chairperson of the Board of Trustees, Mr. R. Denge, for his support and encouragement throughout, as well as to his fellow Trustees, the Scheme’s Management and Staff, the Scheme’s Audit & Risk 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.

THE MEETING CONCLUDED AT 12h05

CHAIRPERSON

DATE