



# ANNUAL GENERAL MEETING

2022



You are invited to attend the Annual General Meeting of the members of LA Health Medical Scheme that will be held virtually at 10:00 on 30 June 2022, via the LUMI platform.

**Please use the link below to register if you wish to attend the Meeting:**

<https://reg.lumiengage.com/la-health-medical-scheme-agm-2022/la-health-medical-scheme-agm-2022-login>

## THIS INVITATION SERVES AS THE OFFICIAL NOTICE OF THE EVENT

Please note that no claims or other personal queries will be dealt with at the Annual General Meeting. You may contact the LA Health call centre on 0860 103 933, to resolve such queries.

### **Please notify the Principal Officer of any motions.**

The Rules of the Scheme require members to notify the Principal Officer at least 7 days before the date of the meeting of any motions for discussion – by not later than 12:00 on Thursday 23 June 2022.

Email to [rdutoit@lahealth.co.za](mailto:rdutoit@lahealth.co.za), or post to PO Box 652509, Benmore 2010

### **Annual Financial Statements, Trustees' report and copies of the Minutes of the previous Annual General Meeting**

The 2021 Annual Report, including the audited Annual Financial Statements and the Trustees' Report, as well as the Draft Minutes of the previous Annual General Meeting, are available on the Scheme's website [www.lahealth.co.za](http://www.lahealth.co.za).

It may also be requested from the Scheme's call centre at **0860 103 933**.

## AGENDA FOR THE MEETING

1. Welcome and quorum
2. To note and approve the Minutes of the Annual General Meeting held on 11 August 2021
3. Annual Financial Statements and Auditor's Report for the year ended 31 December 2021
4. Board of Trustees' Annual Report (as per Section 37[1] of the Medical Schemes Act [1998])
5. Confirmation of the Board's appointment of KPMG as the Scheme's external auditors for the 2022 audit
6. Consideration: Notices of Motion for referral to the Board of Trustees for final decision
7. Introduction of the Chairperson's Report



# CHAIRPERSON'S REPORT

Since the outbreak of COVID-19 early 2020, the world as we know it has changed, and industries, business and medical schemes had to quickly adapt. The different coronavirus variants have already been responsible for four cycles of infections, each posing different challenges to the healthcare environment, and medical schemes. The four COVID-19 'waves' that have swept the world, varied between shorter in time span but causing serious illness and more deaths, to being extremely contagious, but with less severe illness and fewer deaths.

Throughout the pandemic the Scheme maintained a strong financial position and was able to cover COVID-19 costs incurred by our members. Due to the ongoing nature of the pandemic, members unfortunately avoided planned medical procedures in fear of contracting the virus, and many did not undergo regular preventative screening tests. Although these trends have caused the in-hospital claims expenditure for 2021 to be lower than anticipated, the future burden of disease may worsen and negatively impact members' health.

### During the pandemic we observed the following:

- During 2021, hospital costs per admission increased from 2020, cases were more severe, with longer lengths of stay, and the overall admission rate increased. Admissions to Psychiatric hospitals increased significantly and more members were comfortable to undergo treatment and care in Day Surgery facilities. Fifty two percent of hospital admissions were medical cases, with respiratory illnesses

and pneumonia being the top contributors to costs and numbers of admissions. Only 30% of cases were surgical admissions, and 14.1% were related obstetric services. There was also a 17.9% increase in the number of high-cost cases in 2021.

- The cost of in- and out of hospital treatment for professional services such as clinical pathologists, radiologists, physicians, and anaesthetists has increased compared to 2020. This is mostly due to an increase in the out of hospital costs for these services, and mostly related to COVID-19 treatment and care, and vaccinations.

Since the outbreak of the pandemic in March 2020, to the end of February 2022, the Scheme has paid COVID-19 related claims amounting to more than R858m, more than 20% of the 2021 Risk contributions. In that period, 29 339 of the Scheme beneficiaries tested positive for the virus, 28 226 of these beneficiaries recovered, and 959 passed away.

As could be expected, COVID-19 related expenses remains a significant driver of the Scheme's expenses, and we call on all members who have not yet been fully vaccinated or received their booster vaccines, to get vaccinated. When comparing COVID-19 related costs for vaccinated vs. unvaccinated members, vaccination is key to containing costs and ensure the sustainability of the Scheme.

Unfortunately, the pandemic prevails at the time of this report, and evidence indicates that at the end of April 2022, South Africa is moving into the 5th wave of COVID-19 infections.

## Trustees

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

Mr GJ Beukman (Chairperson)  
 Mr R Denge (Deputy Chairperson)  
 Mr RC Barnard  
 Mr AJ Bennett

Mr RG Bosman  
 Mr HF Botha  
 Ms MN Chidi  
 Mr R de Bruyn

Mr HA Deysel  
 Mr MAV Dlamini  
 Mr RJ Field  
 Mr A Lemmer

Mr S Mabunda  
 Mr CL Mavuso  
 Ms CS Nel  
 Mr S Yamba

## Appointment of the Auditor

The Board or Trustees confirmed the appointment of KPMG Inc. as the Scheme's external auditor for the financial year ending 31 December 2022.

## Risk management

Risk is defined as the possibility of an event materialising, which 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. Through this comprehensive process, the Board has identified key risks and implemented mitigation measures to manage and control these risks.

Ultimately the Board of Trustees must manage these risks with oversight being provided by the Audit and Risk Sub-Committee.

## The Scheme's financial performance

LA Health Medical Scheme experienced a good 2021, and the Scheme's financial performance was better than the budget.

This was brought about by lower-than-expected utilisation of healthcare services, mainly because of COVID-19 and the continued improvement in the Scheme's demographic profile.

The Scheme is still experiencing lower than expected claims costs in 2022.





## Financial performance overview

METRIC	2021 VS 2020 ACTUALS		CURRENT STATUS
Membership	92 132 members	↑	Increased from 89,041 principal members at the end of 2020
Average age of beneficiaries	+1.67 years	↑	The average age of the members increased to 29.25 years in December 2021, from 27.58 years in December 2020. This is lower than the industry average of 33.5 years (CMS:2020)
Proportion of lives over the age of 65	-0.94%	↓	The pensioner ratio of 4.65% is lower than the 5.59% in 2020, and lower than the industry average of 8.97% (CMS:2020)
Reserve Ratio	3.42%	↑	The reserve ratio increased to 52.52% (R2.794bn) in 2021, up from 49.10% (R2.397bn) in 2020. These reserves exceed the required 25% level.
Accumulated funds per member	+R3 408	↑	The accumulated funds per member increased to R30 331 from R26,923 at the end of 2020
Operating surplus (before investment income)	R153m	↓	The operating surplus was R284m at the end of 2021, compared to a surplus of R437m at the end of 2020. The large surplus in 2020 can be attributed to the COVID-19 restrictions impacting members' access to services during 2020.
Investment income	-R3.5m	↓	The investment income was lower: R112.6m in 2021 vs R116.1m in 2020 due to poor market conditions.
Claims ratio	++5.7%	↑	The claims ratio increased to 81.7% as a percentage of risk contributions from 76.0% in 2020, in line with the industry average of 81.38% (CMS:2020)
Non-healthcare costs	0.40%	↓	Non-healthcare costs were lower at 11.6% at the end of the year vs 11.8% in 2020 and 12.2% in 2019. This is however higher than the industry average of 8.61% (CMS:2020)

## OTHER INDUSTRY ISSUES

**National Health Insurance (NHI):** The Parliamentary Health Portfolio Committee has wrapped up its public hearings after 112 presentations by various organisations. Their submissions have raised a range of concerns around the proposed governance framework of the NHI Fund, the complexity of the proposed contracting mechanisms, the constitutional legalities of a mandatory single fund, the healthcare professional skills available for Universal Health Coverage and the impact of a single fund approach. While the next step in the legislative process for the NHI Bill is referral to the National Chamber of Provinces, it is not clear whether the Portfolio Committee on Health will be recommending any amendments. Several public statements by Nicholas Crisp, Deputy Director General for NHI, note that an incremental implementation period is envisaged. The need for a Money Bill for any tax changes is acknowledged along with the need to progress implementation of the Human Resources for Health plan and build on public-private partnership learnings developed through needs arising from the COVID-19 pandemic.

**Section 59 Inquiry:** During May 2019, allegations of racial bias and discrimination in the management of fraud, waste, and billing abuse (FWA) were made by groups of Black African, Indian, and Colored healthcare professionals against medical schemes and their administrators. The Minister of Health then instructed the Council for Medical Schemes (CMS) to investigate these allegations, and an independent Investigation Panel was convened to carry out the investigations and to act as an advisory panel to the CMS, and the Minister of Health. On Friday 15 January 2021, the Panel's interim findings were made available. There is still no update about when the final Section 59 Investigation report will be released.

**South African Society of Physiotherapy:** The SA Society of Physiotherapists (SASP) has 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. Alternatively, they seek amendments to Section 59(3) that includes independent adjudication in determining claim recoveries; and that all Section 59(3) matters over the last 6 years be reported to the CMS and be eligible for review at the cost of the medical scheme concerned. LA Health, through Discovery Health, is contesting this action.





## OTHER MATTERS AFFECTING THE SCHEME

### Routine Council for Medical Schemes inspection

The Council for Medical Schemes performed a routine inspection at the Scheme in 2020 and issued directives in terms of Section 69(2) (a) of the Financial Institutions (Protection of Funds) Act 28 of 2021, on 15 December 2020.

The Scheme has complied with the majority and appealed three of the directives. No date has yet been set by the Council for Medical Schemes for the appeal hearings. The appealed directives are suspended, pending the outcomes of the hearings.

### Summary

The threats to our members' health, the financial burdens brought about by COVID-19, the apparent lack of members seeking care for other conditions when needed, or neglecting to undergo preventative screening, have kept us focused on ensuring the Scheme is able to continue to provide sustainable funding and appropriate benefits.

The balancing act between having affordable contribution increases versus the demand for healthcare services, remain a challenge for the industry and underlines the need for the Scheme to continue looking for ways to be more effective and efficient. Whilst keeping a close eye on the Scheme's financial performance, the Trustees are comfortable that the Scheme continues to be sustainable, offering excellent value. Our focus is on ensuring peace of mind to all our members for all appropriate major medical expenses at affordable contribution rates.

We thank you for your support to the Scheme and the Trustees in 2021 and now.

**Gawie Beukman**  
Chairperson





## HIGHLIGHTS OF LA HEALTH MEDICAL SCHEME'S FINANCIAL RESULTS FOR 2021

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021		
	2021	2020
	R	R
<b>ASSETS</b>		
<b>Non-Current Assets</b>	<b>5 275 540</b>	<b>5 254 633</b>
Property and equipment	5 275 540	5 254 633
<b>Current assets</b>	<b>3 595 296 233</b>	<b>3 104 370 026</b>
Trade and other receivables	250 360 089	105 571 339
<b>Held-to-maturity investments</b>	<b>2 276 151 957</b>	<b>706 500 000</b>
Scheme funds	2 141 151 957	504 000 000
Medical Savings Account trust funds	135 000 000	202 500 000
Cash and cash equivalents	1 068 784 187	2 292 298 687
Scheme funds	663 983 198	2 044 342 395
Medical Savings Account trust funds	404 800 989	247 956 292
<b>TOTAL ASSETS</b>	<b>3 600 571 773</b>	<b>3 109 624 659</b>
<b>FUNDS AND LIABILITIES</b>		
<b>Members' funds</b>	<b>2 794 434 811</b>	<b>2 397 265 544</b>
Accumulated funds	2 794 434 811	2 397 265 544
<b>Non-current liability</b>	<b>2 530 000</b>	<b>2 246 000</b>
Post retirement healthcare funding liability	2 530 000	2 246 000
<b>Current liabilities</b>	<b>803 606 962</b>	<b>710 113 115</b>
Outstanding risk claims provision	159 398 594	133 350 000
Medical savings account trust fund liability	534 076 683	460 579 945
Trade and other payables	110 131 685	116 183 170
<b>TOTAL FUNDS AND LIABILITIES</b>	<b>3 600 571 773</b>	<b>3 109 624 659</b>





## HIGHLIGHTS OF LA HEALTH MEDICAL SCHEME'S FINANCIAL RESULTS FOR 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021		
	2021	2020
	R	R
<b>RISK CONTRIBUTION INCOME</b>	<b>4 261 532 411</b>	<b>3 918 483 585</b>
<b>RELEVANT HEALTHCARE EXPENDITURE</b>	<b>(3 481 807 036)</b>	<b>(2 979 235 514)</b>
<b>Net claims incurred</b>	(3 385 653 252)	(2 886 799 460)
Risk claims incurred	(3 394 356 159)	(2 907 070 814)
Third party claim recoveries	8 702 907	20 271 354
<b>Net expense on risk transfer arrangements</b>	(2 354 593)	(4 894 423)
Risk transfer arrangement fees/premiums paid	(28 277 823)	(25 048 093)
Recoveries received from risk transfer arrangements	25 923 230	20 153 670
<b>Managed care: Management services</b>	(93 799 191)	(87 541 631)
<b>GROSS HEALTHCARE RESULTS</b>	<b>779 725 375</b>	<b>939 248 071</b>
Broker services fees	(99 459 123)	(98 954 357)
Administration fees	(363 088 836)	(337 834 753)
Sundry expenses	(21 280 431)	(18 273 335)
Impairment losses on healthcare receivables	(11 865 598)	(10 628 907)
<b>NET HEALTHCARE RESULTS</b>	<b>284 031 387</b>	<b>473 556 719</b>
<b>OTHER INCOME</b>	<b>133 651 793</b>	<b>140 503 868</b>
Investment income	133 122 221	140 322 137
Scheme	112 688 308	116 166 958
Return on Medical Savings Account trust monies invested	20 433 913	24 155 179
Sundry income	529 572	181 731
<b>OTHER EXPENDITURE</b>	<b>(20 433 913)</b>	<b>(24 155 179)</b>
Interest paid on Medical Savings Accounts	(20 433 913)	(24 155 179)
<b>NET SURPLUS FOR THE YEAR</b>	<b>397 249 267</b>	<b>589 905 408</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>(80 000)</b>	<b>1 122 000</b>
Actuarial (loss)/gain on post-retirement healthcare funding liability	(80 000)	1 122 000
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>397 169 267</b>	<b>591 027 408</b>





## STATEMENT OF CHANGES IN FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 Accumulated Funds R	2020 Accumulated Funds R
<b>BALANCE AS AT 1 JANUARY</b>	<b>2 397 265 544</b>	<b>1 806 238 136</b>
<b>Changes in funds and reserves</b>	(80 000)	1 122 000
Actuarial (loss) / gain on post retirement healthcare funding liability	(80 000)	1 122 000
<b>Net surplus for the year</b>	<b>397 249 267</b>	<b>589 905 408</b>
<b>Balance as at 31 December</b>	<b>2 794 434 811</b>	<b>2 397 265 544</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 R	2020 Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from members and providers	<b>5 201 961 741</b>	<b>4 999 278 401</b>
Cash receipts from members - contributions	5 189 198 349	4 965 687 773
Cash receipts from members and providers - other	12 763 392	33 590 628
Cash paid to providers, employees and members	<b>(4 954 411 675)</b>	<b>(4 278 382 306)</b>
Cash paid to providers and members - claims	(4 449 006 126)	(3 812 587 214)
Cash paid to providers and employees - non-healthcare expenditure	(484 420 701)	(448 817 946)
Cash paid to providers and employees - refunds	(20 984 848)	(16 977 146)
<b>Cash generated from/used in operations</b>	<b>247 550 066</b>	<b>720 896 095</b>
Interest paid	(20 433 913)	(24 155 179)
<b>Net cash flows from operating activities</b>	<b>227 116 153</b>	<b>696 740 916</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(63 351)	
(Additions) / disposals to held-to-maturity investments		
Scheme funds	(1 637 151 957)	
Medical savings account trust funds	67 500 000	22 500 000
Interest income	119 084 655	150 632 769
<b>Net cash flows from investing activities</b>	<b>(1 450 630 653)</b>	<b>173 132 769</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1 223 514 500)</b>	<b>869 873 685</b>
Cash and cash equivalents at the beginning of the year	2 292 298 687	1 422 425 002
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>1 068 784 187</b>	<b>2 292 298 687</b>
Scheme funds	663 983 198	2 044 342 395
Medical Savings Account trust funds	404 800 989	247 956 292





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 R	2020 R
<b>CASH AND CASH EQUIVALENTS</b>		
<b>SCHEME FUNDS</b>		
Current accounts	126 596 452	278 499 767
Money market instruments	537 386 746	1 765 842 628
<b>TOTAL SCHEME FUNDS INVESTED</b>	<b>663 983 198</b>	<b>2 044 342 395</b>

The weighted average effective interest rate on cash and cash equivalents was 3.50% (2020 - 4.14%). These funds have an average maturity of 1 day (2020 - 1 day).

At 31 December 2021, the carrying amounts of cash and cash equivalents approximate their fair values due to the short term maturities of these assets.

<b>MEDICAL SAVINGS ACCOUNT TRUST FUNDS</b>		
Current account	8 174 099	20 605
Money market instruments	396 626 890	247 935 687
<b>TOTAL MEDICAL SAVINGS ACCOUNT TRUST FUNDS INVESTED</b>	<b>404 800 989</b>	<b>247 956 292</b>

The weighted average effective interest rate on the trust funds was 3.50% (2020 - 4.05%). These funds have an average maturity of 1 day (2020 - 1 day).

At 31 December 2021, the carrying amounts of these trust funds approximate their fair values due to the short term maturities of these assets.

<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>1 068 784 187</b>	<b>2 292 298 687</b>
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	2021 R	2020 R
<b>MEDICAL SAVINGS ACCOUNT TRUST LIABILITY</b>		
Balance on Medical Savings Account liability at the beginning of the year	460 579 945	360 545 976
Add:		
Medical Savings Account contributions received for the current year	1 058 952 774	963 469 078
Transfers received from other medical schemes	1 067 817	699 442
Return on Medical Savings Account trust monies invested	20 433 913	24 155 179
Less:		
Claims paid to or behalf of members	(985 972 918)	(871 312 584)
Refunds on death or resignation	(20 984 848)	(16 977 146)
<b>Balance on Medical Savings Account liability at the end of the year</b>	<b>534 076 683</b>	<b>460 579 945</b>

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 his or her membership of the Scheme or benefit option, and enrolls in another benefit option or medical scheme without a MSA, or does not enroll in another medical scheme.

Estimated claims to be paid out of Medical Savings Accounts in respect of claims incurred in 2021, but not reported	<b>6 871 575</b>	<b>7 947 431</b>
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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 2021 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.







	2021 R	2020 R
<b>ACCUMULATED FUNDS</b>		
The accumulated funds ratio is calculated on the following basis		
Total members' funds per statement of financial position	2 794 434 811	2 397 265 544
<b>Accumulated funds per Regulation 29</b>	<b>2 794 434 811</b>	<b>2 397 265 544</b>
<b>Gross contribution income</b>	<b>5 320 485 185</b>	<b>4 881 952 663</b>
<b>Accumulated funds ratio per Regulation 29</b>	<b>52.52%</b>	<b>49.10%</b>

## 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 isolated cases do not have a material effect on the Scheme.

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





## KEY FINANCIAL AND SERVICE METRICS

 2021	2020	
Members' funds	R2 794 434 811	R2 397 265 544
Solvency ratio	52.52%	49.10%
Gross contribution income	R5 320 485 185	R4 881 952 663
Risk contribution income	R4 261 532 411	R3 918 483 585
Accumulated funds per member	R30 331	R26 923

2021	LA COMP	LA CORE	LA ACTIVE	LA FOCUS	LA KEYPLUS	TOTAL
Number of members at the end of the accounting period	1 263	3 826	60 523	19 837	6 683	92 132
Average number of beneficiaries for the accounting period	1 680	5 761	159 670	49 065	15 240	231 416
Average age per beneficiary	69.75	66.91	28.50	26.60	27.90	29.25
Pensioner ratio (beneficiaries 65 years and older)	70.32%	66.85%	3.23%	1.28%	1.15%	4.65%
Average risk contribution per member per month	R7 856.45	R6 637.80	R4 068.72	R2 932.19	R2 359.28	R3 870.17
Average relevant healthcare expenditure per member per month	R7 022.32	R6 029.99	R3 352.65	R2 188.61	R1 795.59	R3 162.05
Relevant healthcare expenditure as a percentage of risk contributions	89.4%	90.8%	82.4%	74.6%	76.1%	81.7%
Administration fee per member per month	R342.58	R342.58	R342.58	R342.58	R171.32	R328.41
Non-healthcare expenditure as a percentage of risk contributions	6.0%	6.6%	11.5%	15.8%	11.3%	11.6%





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