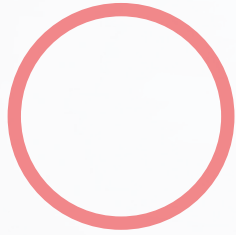
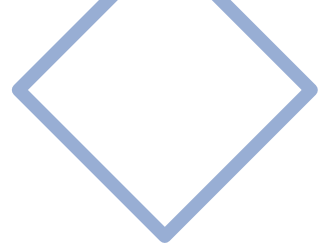


2021 LA

CONVERSATIONS



CONTENTS



EXCEPTIONAL PERFORMANCE

ENSURES FUTURE SUSTAINABILITY

As the established medical scheme of choice in Local Government, LA Health continues to attract new members. The Scheme provides cover to over 220 000 members and their families, with LA Health's five Benefit Options suiting all levels of medical and financial needs. The performance of a medical scheme should consider the quality of the healthcare services that its members experience, while its sustainability is measured by the growth and financial performance of the medical scheme. LA Health constantly focuses on improving the healthcare experience of our members while continuing to grow and deliver strong financial results.



STRONG MEMBERSHIP GROWTH

Net new principal members (2020)

>7 700

LA Health

>750

Other schemes in local government

LA Health continues to experience exceptionally strong growth, adding almost 8 000 principal members for the 12 months up to March 2020.



ATTRACTING YOUNG AND HEALTHY LIVES

LA Health demographics (2019)

29.4

Average age

5.2%

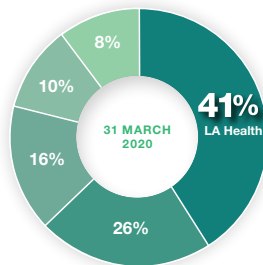
Pensioner ratio

LA Health has steadily attracted younger healthier members over the past decade, resulting in a significant decrease in the average age of beneficiaries on the Scheme and a lower average age than it's competitors.



SCHEME OF CHOICE IN LOCAL GOVERNMENT

LA Health is the largest scheme in local government with a market share of 41% in 2020.



EXCEPTIONAL FINANCIAL STRENGTH

+R118M

Net healthcare result (2019)

R1.8 bn

Reserves (2019)

42.7% Solvency (2019)

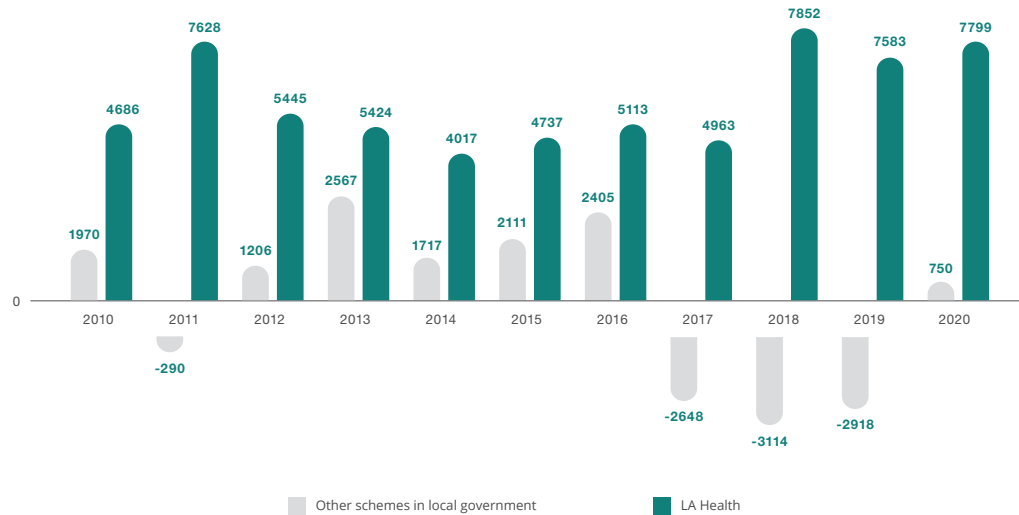
A consistent positive net healthcare result, healthy reserves and a well maintained solvency ratio ensure that LA Health can withstand planned or unplanned costs, such as the impact of the COVID-19 pandemic.

HEALTHY, SUSTAINABLE GROWTH

LA Health continues to experience exceptionally strong growth, adding almost 8 000 members for the 12 months up to March 2020. The Scheme has grown by over 65 000 principal members in the last ten years reinforcing its position as the largest scheme in local government.



NET GROWTH IN PRINCIPAL MEMBERS
(2010 – 2020)



NET GROWTH
IN PRINCIPAL
MEMBERS OVER
THE LAST 10 YEARS

+ 65 247
LA Health members

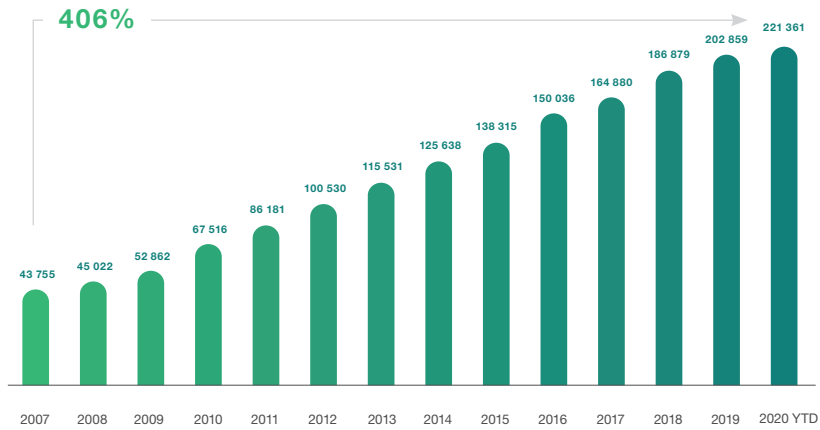
+ 3 756
Other schemes
in local government

HEALTHY, SUSTAINABLE GROWTH

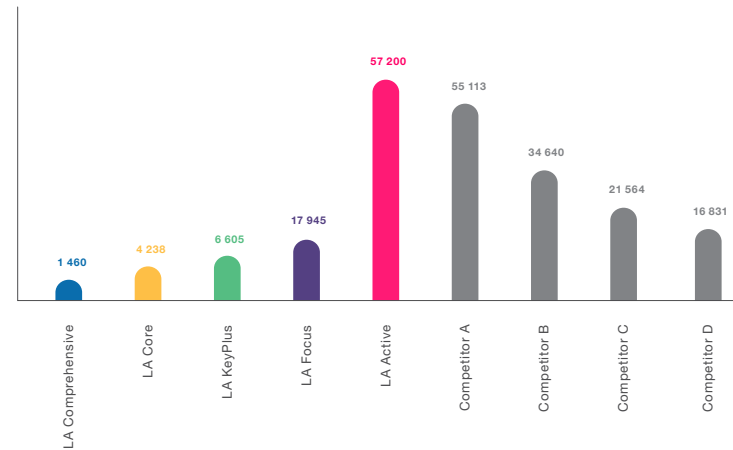
The size of LA Health is best illustrated through the Scheme's flagship Benefit Option. On a standalone basis there are more principal members on LA Active than the total local government membership on any of the competitor schemes.



**GROWTH IN BENEFICIARIES
(2010 – 2020)**



**TOTAL PRINCIPAL MEMBERS
(31 MARCH 2020)**



*Principal members of medical schemes operating in local government

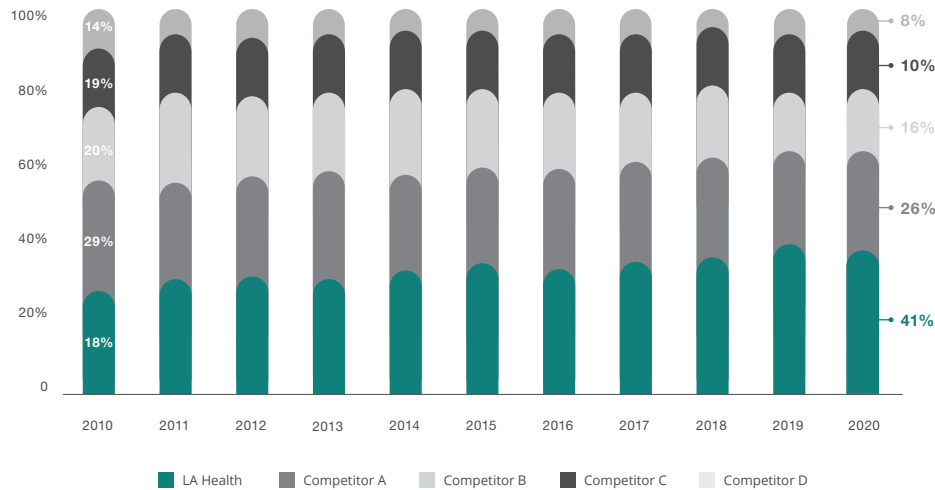
LA HEALTH REMAINS THE SCHEME OF CHOICE FOR

LOCAL GOVERNMENT EMPLOYEES

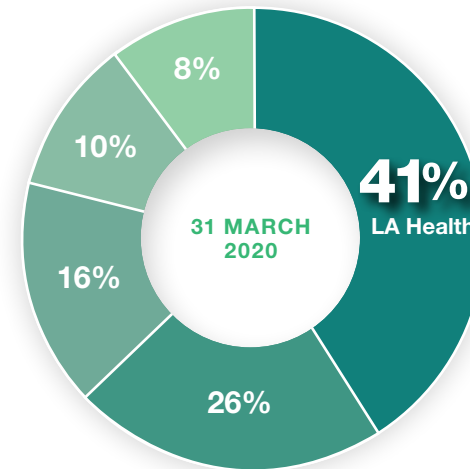
LA Health has maintained its status as market leader in Local Government through years of consistent membership growth and financial sustainability, and provides cover to 25 500 more principal members than the next largest competitor. LA Health has consistently increased market share each year, growing from 18% in 2010 to 41% as at March 2020.



MARKET SHARE
(2010 – 2020)



LOCAL GOVERNMENT MARKET SHARE
(2020)

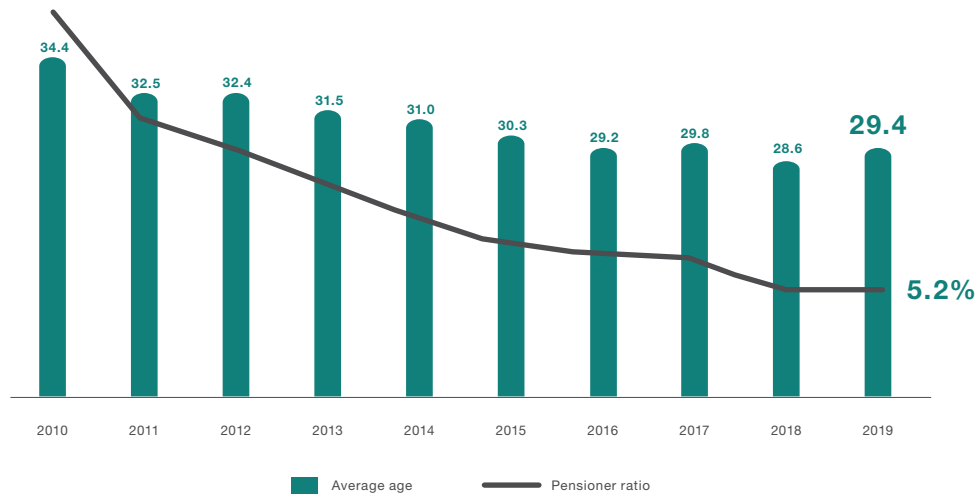


ATTRACTING YOUNG AND HEALTHY LIVES

LA Health has steadily attracted young and healthy members over the past decade, resulting in a significant decrease in the average age of beneficiaries on the Scheme. In 2019, the average age of new beneficiaries joining the Scheme was 22.6 years which is significantly lower than the Scheme's existing age profile. Consistent membership growth of young and healthy lives has enabled LA Health to maintain a lower average age and pensioner ratio than that of its competitors.



LA HEALTH'S AVERAGE AGE AND PENSIONER RATIO (2010 – 2019)



SCHEME DEMOGRAPHICS (2018)

YOUNGER AVERAGE AGE

28.6	34.6
LA Health	Other schemes in local government

LOWER PENSIONER RATIO

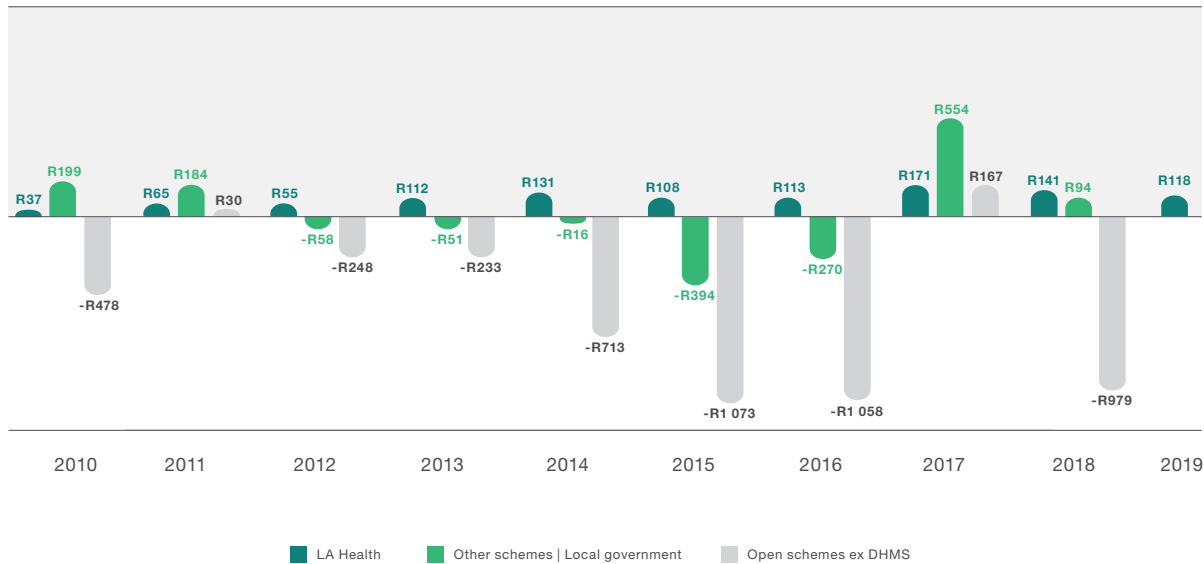
5.2%	10.4%
LA Health	Other schemes in local government

EXCEPTIONAL FINANCIAL STRENGTH

LA Health has consistently maintained a positive net healthcare result, expertly balancing the need for affordable contribution increases and comprehensive, quality private healthcare benefits. Over the past nine years, LA Health has achieved a cumulative net healthcare result of +R934m. With competing schemes experiencing a combined net healthcare result of R243m. In 2019, LA Health achieved a positive net healthcare result of R118m.



NET HEALTHCARE RESULTS (RAND MILLION)
(2010 – 2019)



NET HEALTHCARE
RESULT (2010 – 2018)

+R934m

LA Health

+R243m

Other Schemes in
local government

Notes: Not all medical scheme's 2019 Audited Financial Statements were available by the time this publication was released. LA Health's 2019 net healthcare result has been included to provide advisors with the Scheme's most current financial information.

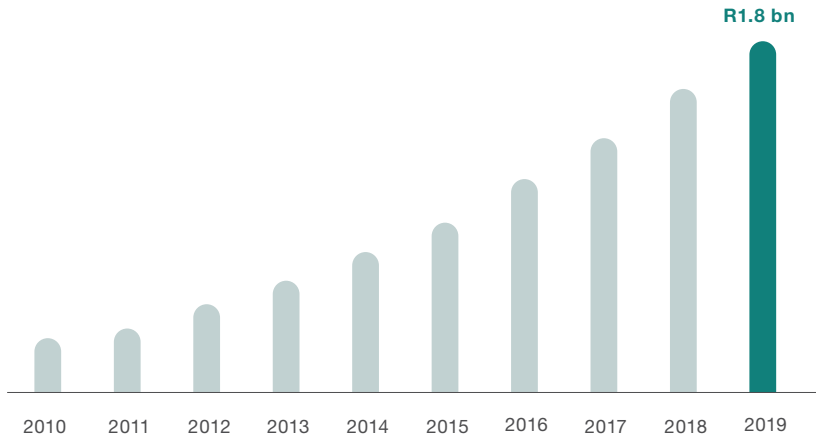
EXCEPTIONAL

FINANCIAL STRENGTH

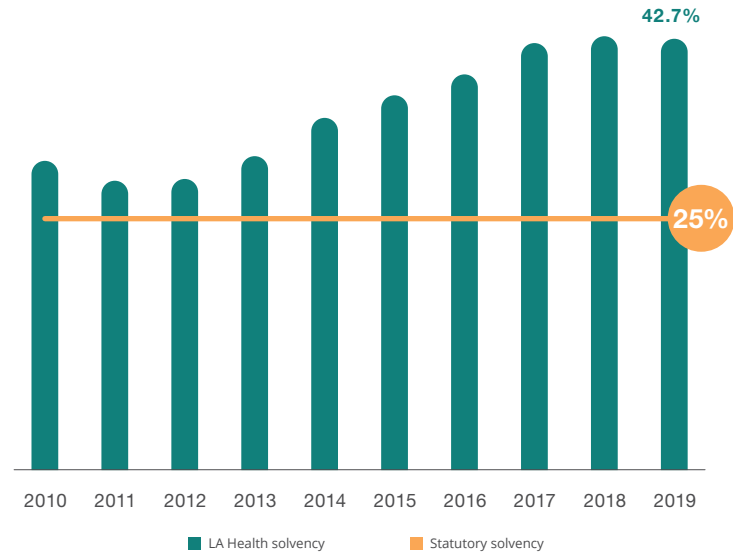
Strong membership growth and sound financial planning have underpinned LA Health's financial performance. Healthy reserves and a well maintained solvency ratio ensures that LA Health can withstand planned or unplanned costs, such as the impact of the COVID-19 pandemic. Consistent positive net healthcare results have resulted in increasing reserves and solvency levels significantly above the statutory solvency requirement of 25%.



RESERVES
(2010 – 2019)



SOLVENCY RATIO
(2010 – 2019)



IMPACT OF COVID-19 ON LA HEALTH

IMPACT OF COVID-19

As at 1 October 2020



Tests conducted
27 095



Confirmed cases
7 066

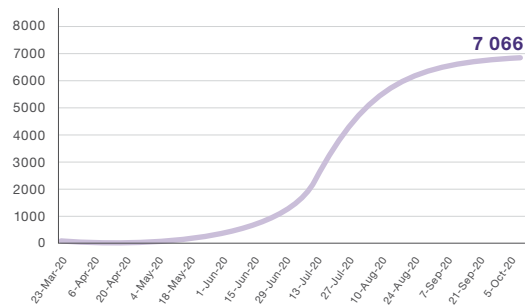


Hospital admissions
1 409



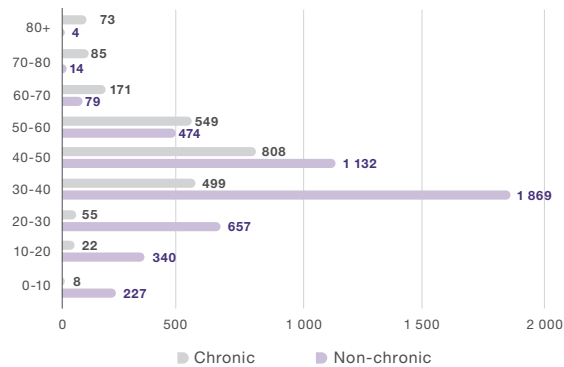
Deaths
156

COVID-19 CONFIRMED CASES

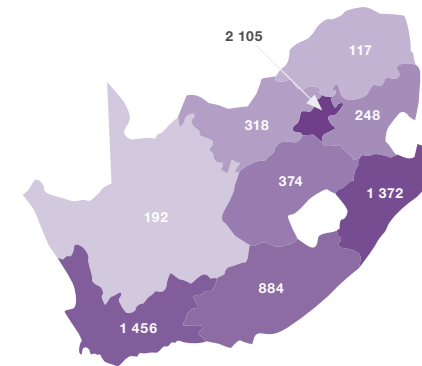


CONFIRMED CASES BY AGE AND CHRONICITY

36% of confirmed cases are chronic members



COVID-19 CASES PER PROVINCE



ADMISSION TRENDS

TOTAL HOSPITAL ADMISSIONS	NUMBER	AVERAGE COST PER EVENT	ICU ADMISSIONS	NUMBER	AVERAGE COST PER EVENT	VENTILATOR ADMISSIONS	NUMBER	AVERAGE COST PER EVENT
	1 409	R89 075		243	R245 044		149	R355 898



LA HEALTH'S
COVID-19
RESPONSE

LA HEALTH'S

RESPONSE TO COVID-19

LA Health has developed a comprehensive response to the COVID-19 pandemic drawing on its resources and capacity to assist members during the outbreak.



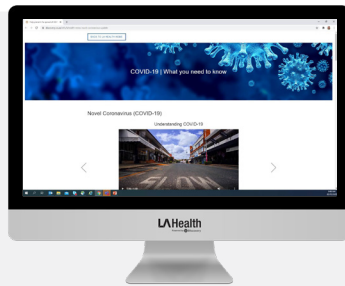
LA HEALTH'S
COVID-19
RESPONSE



Enhanced benefits for screening and testing

LA Health has developed the World Health Organisation (WHO) Global Outbreak Benefit aimed at responding to global health emergencies such as COVID-19. This benefit provides funding in full, from the scheme's risk pools, for out-of-hospital management and appropriate supportive treatment for COVID-19 including:

- Unlimited screening consultations with a nurse or GP
- Access to 2 PCR tests per person per year regardless of the outcome, subject to referral by healthcare provider
- Access to a defined basket of care for pathology, x-rays and scans
- Unlimited consultations with a GP or nurse
- Unlimited supportive treatment
- Access to acute medicine according to a defined list.



Access to the COVID-19 information hub including a risk assessment tool and virtual consultations

A large-scale awareness campaign was launched to provide members with the latest information and guidance on how to prevent and contain potential infection. The COVID-19 information hub is located on the LA Health website and provides the latest news, and updates as well as access to the COVID-19 risk assessment tool and virtual consultations.

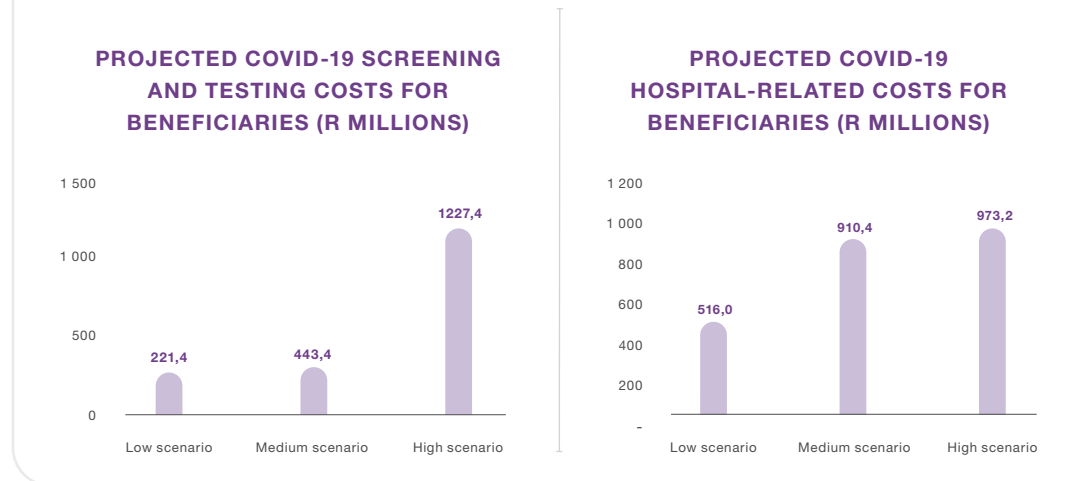
LA HEALTH REMAINS FINANCIALLY RESILIENT TO WITHSTAND THE IMPACT OF COVID-19

Using the COVID-19 experience of members on medical schemes administered by Discovery Health as well as the projections of the COVID-19 infections and fatalities across South Africa, one can project the potential costs which may be incurred by medical schemes for the rest of 2020 and the first six months of 2021.

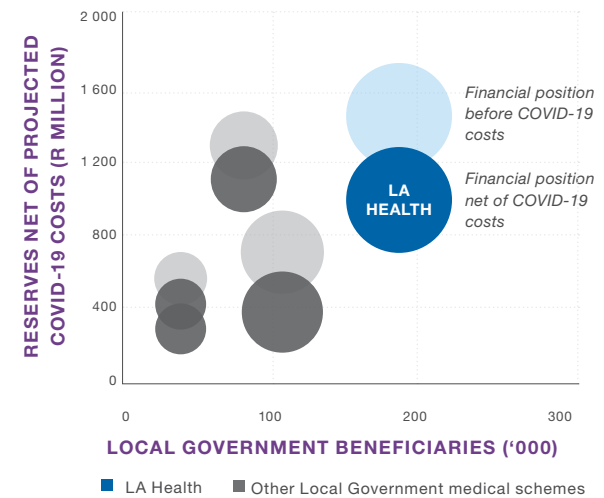
Three potential scenarios have been modelled, with screening, testing and hospitalisation costs estimated to be between R738 million and R1.2 billion across all local government medical schemes over the next 18 months.

Using the proportion of local government employees on LA Health and its competitor schemes, the reserves attributable specifically to these members have been approximated. Reserves were then adjusted downwards using the medium scenario of COVID-19 screening, testing and hospitalisation costs to demonstrate the potential impact of COVID-19 on reserve levels.

LOCAL GOVERNMENT MEDICAL SCHEMES COULD INCUR SIGNIFICANT COVID-19 RELATED COSTS



LA HEALTH IS SUFFICIENTLY CAPITALISED TO COVER COVID-19 RELATED COSTS



Notes: Scheme level impact based on most recent CMS annual report (2018/19) and excludes any surplus that may be generated in 2020 or 2021 due to decreased healthcare utilisation.



COMPREHENSIVE LEVELS OF

COVER FOR OUR MEMBERS

With LA Health's five Benefit Options suiting all levels of medical and financial needs, 2021 will see the Scheme continuing to provide members with comprehensive, value for money healthcare benefits and the best quality healthcare, while promoting a healthy lifestyle.

H Hospital claims

R1.9 BN | paid for hospital claims
51% | of total claims paid
43 821 | hospital admissions

C Chronic-illness related claims

R199 M | paid for claims relating to chronic conditions
5% | of total claims paid
42 191 | beneficiaries with chronic conditions

O Oncology claims

R166 M | paid for oncology treatment
4% | of total claims paid
R9 343 | average cost per beneficiary per month

TOTAL LA HEALTH CLAIMS PAID OVER LAST 12 MONTHS
R3.7 BILLION



S Screening and Prevention

6 168 | beneficiaries performing Screening Tests

D Day-to-day claims

R1.3 BN | paid for day-to-day claims
574 932 | GP visits

M Maternity claims

R132 M | paid for births
3 229 | number of deliveries
R41 010 | average cost per delivery



COMPREHENSIVE LEVELS OF COVER FOR OUR MEMBERS

HIGH LEVELS OF HOSPITAL COVER

LA Health continues to care for members with complex and emergency healthcare needs

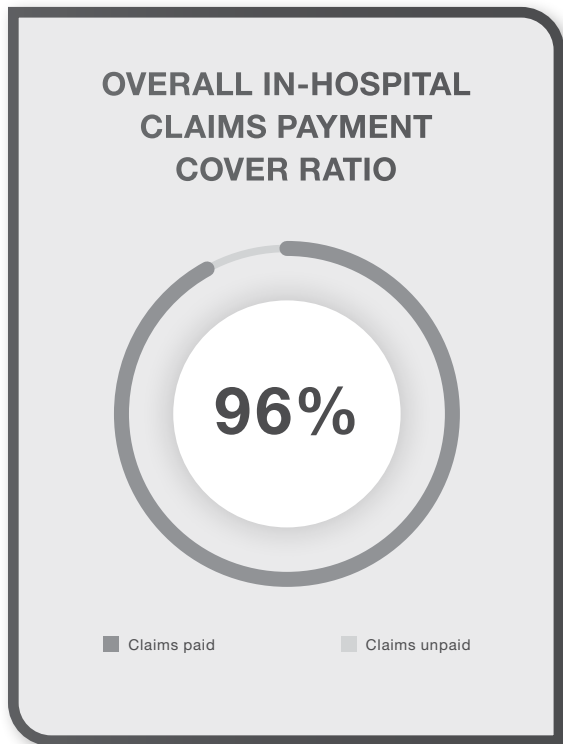
R3.3 m	Age 76 LA Active 159 days Infection	
R3.2 m	Age 63 LA Active 71 days Major cardiovascular procedure	
R2.6 m	Age 47 LA Active 63 days Long term use of a ventilator (respiratory related)	
R2.4 m	Age 0 LA Active 110 days Neonate	
R2.1 m	Age 48 LA Active 39 days Spleen procedures	
R2.0 m	Age 0 LA Active 146 days Neonate	
R2.0 m	Age 62 LA Active 97 days Heart valve procedure	
R1.9 m	Age 48 LA Focus 79 days Long term use of a ventilator (gastrointestinal related)	
R1.9 m	Age 0 LA Active 183 days Neonate	
R1.9 m	Age 0 LA KeyPlus 141 days Neonate	

The largest hospital claim would require **102 years** of contributions by the beneficiary to cover that single claim.

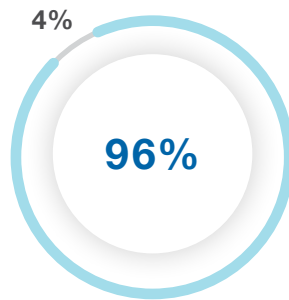
COMPREHENSIVE LEVELS OF COVER FOR OUR MEMBERS

HIGH LEVELS OF HOSPITAL COVER

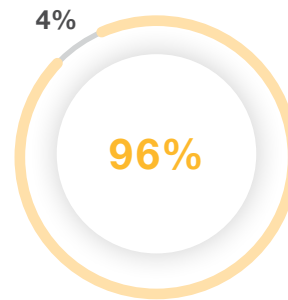
Members continue to benefit from consistently high levels of cover. On average, LA Health covered 96% of hospital claims in 2019, meaning that members only had to pay R4 for every R100 spent in hospital.



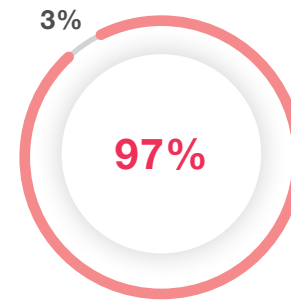
LA COMPREHENSIVE



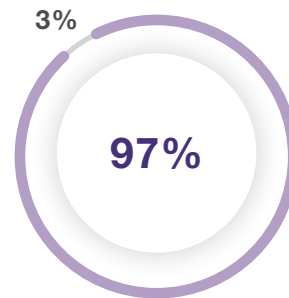
LA CORE



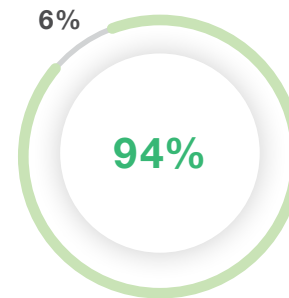
LA ACTIVE



LA FOCUS



LA KEYPLUS



Claims unpaid

Claims payout ratio



COMPREHENSIVE LEVELS OF COVER FOR OUR MEMBERS

2021

BENEFIT UPDATES



Full cover at the Scheme's DSP Network for elective in-hospital PMBs

- Members will automatically be covered in full for elective PMB treatment and care in a nationwide network of hospitals.
- Members will need to be referred by a Network Specialist or G.P
- If the referral process is followed and treatment is provided at the DSP Hospital, all accounts related to the authorised case will be paid in full.
- The Scheme's Designated Service Provider for all elective, in-hospital Prescribed Minimum Benefit treatment and care is the KeyCare Network of more than 100 hospitals nationwide.



Introduction of an Over-the-Counter limit

- In 2021, LA Health is introducing a limit on non-prescribed OTC (Over-The-Counter) medicine for LA Comprehensive, LA Core, LA Active and LA Focus.
- All Over-the-Counter medicine that has not been prescribed by a healthcare professional will be subject to an annual benefit limit of R1 200 per person.



General increase updates

- Most benefit limits will increase by 4.3%.
- The Medical Savings Accounts have been increased in line with the respective risk contribution increases.
- The Above Threshold Benefit on LA Comprehensive increases by 4.3%.
- The Extended Day-to-day Benefit on LA Core and LA Active was increased by 4.3%.
- The income bands on LA KeyPlus were adjusted by 5.2% to avoid bracket creep.



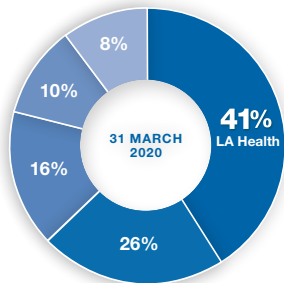
2021
BENEFIT
UPDATES

LA HEALTH MEDICAL SCHEME

VALUE PROPOSITION

SCHEME OF CHOICE IN LOCAL GOVERNMENT

LA Health has the largest membership base in local government, representing over 220 000 lives



FULL SPECTRUM OF BENEFIT OPTIONS

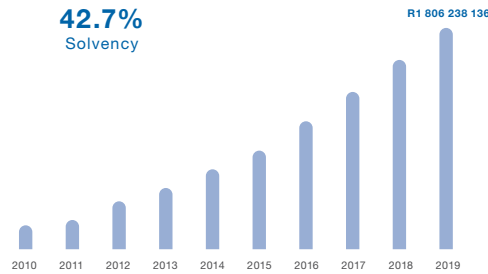
LA Health offers members five Benefit Options to suit all levels of medical and financial needs



FINANCIAL STRENGTH AND LONG TERM SUSTAINABILITY

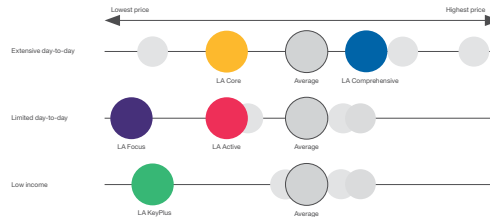
Outstanding performance provides a platform for future sustainability

42.7% Solvency



COMPETITIVE ACROSS ALL SEGMENTS

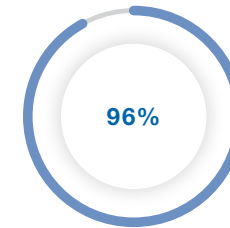
LA Health offers comparative affordability across all Benefit Options



RICHEST BENEFITS AND EXTENSIVE NETWORKS

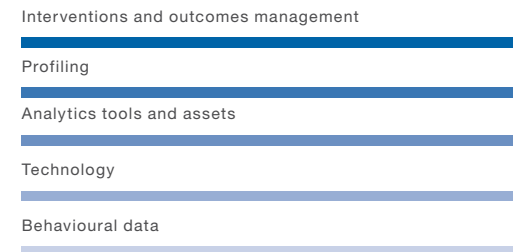
Members continue to benefit from consistently high levels of cover

Average overall in-hospital claims payment cover ratio



BEST IN CLASS CLAIMS RISK MANAGEMENT

LA Health employs a strategically integrated approach to claims risk management



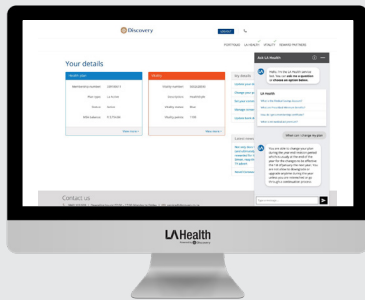
2021
BENEFIT
UPDATES

LA HEALTH MEDICAL SCHEME

VALUE PROPOSITION

ENHANCED MEMBER EXPERIENCE THROUGH DIGITAL TOOLS

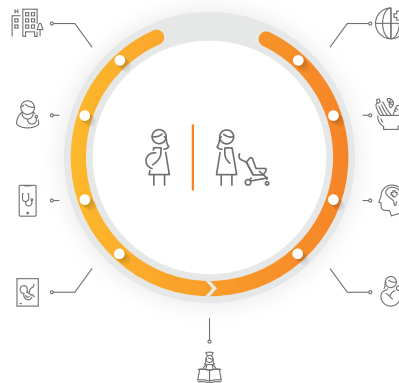
Intuitive website navigation with enhanced real-time digital self-service powered by our chat bot, Ask LA Health.



Ask LA Health, the Chat BOT, available on the Scheme's website makes it possible for members to get real time answers about their membership and claims related questions.

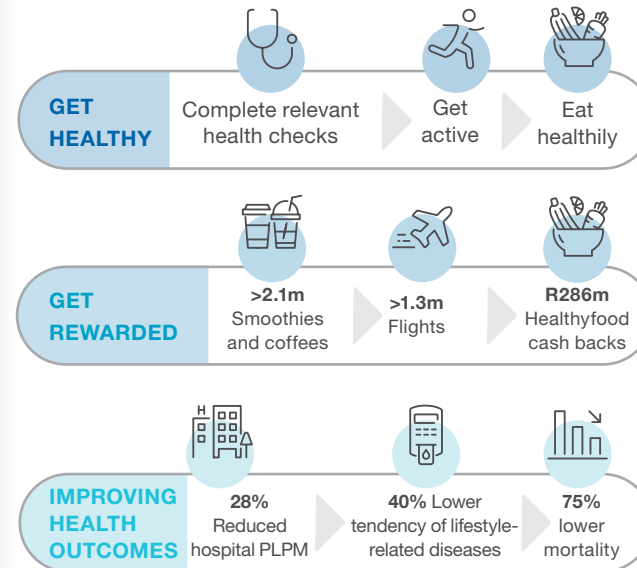
COMPREHENSIVE MATERNITY BENEFITS FOR YOUNG FAMILIES

Access to comprehensive set of risk-funded benefits during pregnancy and after the birth of the baby across all benefit options.



ACCESS TO A WORLD-CLASS WELLNESS PROGRAMME

LA Health members have access to the world's leading behaviour change programme.



2021 BENEFIT UPDATES

FINANCIAL ADVISER

DIGITAL SALES SUPPORT



DISPLAY ADVERTISING

LA Health, the Scheme of choice for local government employees.



LEADS GENERATION PAGE

Generating leads digitally to support you during the window period.



JOIN THE LA HEALTH SOCIAL MEDIA MOVEMENT.

5 550 FB followers

491 415 Total impressions



2021
BENEFIT
UPDATES

DRIVERS OF

MEDICAL INFLATION

Contributions increase year-on-year to allow for the expected increase in member claims costs the following year. The expected increase is based on medical inflation. Claims costs increase each year for a number of reasons, including:

- An increase in the cost of existing healthcare services, i.e. tariff increases
- An increase in the amount of healthcare services used by members, i.e. demand-side inflation
- An increase in the supply of hospital beds and advances in medical technology, i.e. supply-side inflation



Tariff Inflation

Tariff inflation refers to the increases in the prices of healthcare services, such as the cost of a doctor's visit, hospital admission, medical device and the price of medicine. These prices increase in line with the Consumer Price Index (CPI), with the exception of medicine, where price increases are regulated and not necessarily in line with CPI.

The Scheme has made provision for an average CPI-related tariff increase of 4.3% in 2021.



Supply-side Inflation

An increase in the supply of healthcare services over time contributes to medical inflation. An example of supply-side inflation is advances in treatment and new technologies. The Scheme assumed 1% increase for 2021.



Demand-side inflation

The 'demand' for healthcare services correlates with the health of members. If health deteriorates, demand for healthcare services increases. The health of the Scheme's membership is a function of the average age of members and the prevalence of medical conditions.

On LA Health, the average age of members decreases due to

- Existing members ageing by no more than 1 year; and
- A greater proportion of younger members joining the Scheme.

The prevalence of medical conditions increase due to

- Existing members being diagnosed with medical conditions; and
- A greater proportion of members with existing medical conditions joining the Scheme.

Projected demand-side inflation for 2021 ranges between 1.3% and 2.9% due to Option-specific variations.

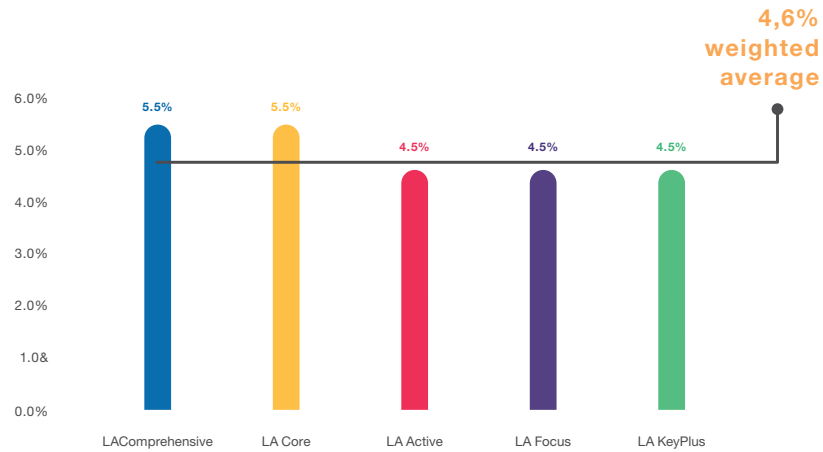


COMPETITIVE

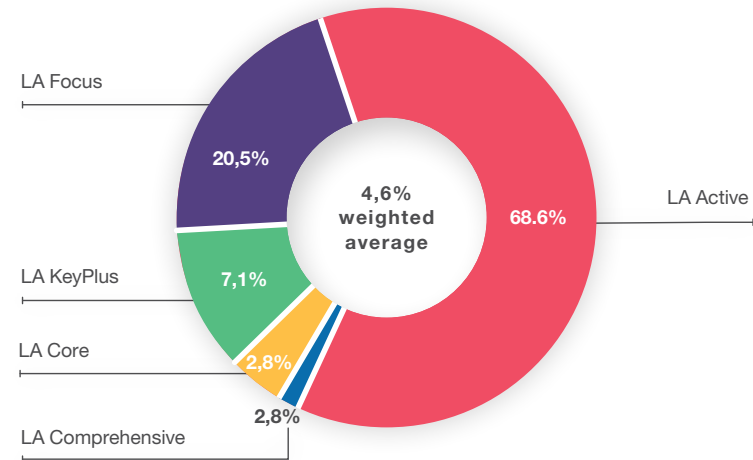
CONTRIBUTION INCREASES

Affordability and access to quality healthcare remain key considerations when members select a medical scheme. The significant growth shown by the Scheme is underpinned by its commitment to affordable contribution increases, prudent financial planning and the provision of comprehensive, quality healthcare. In 2021, 96% of LA Health members will experience contribution increases that are lower than the average 4.6% increase.

2021 CONTRIBUTION INCREASES



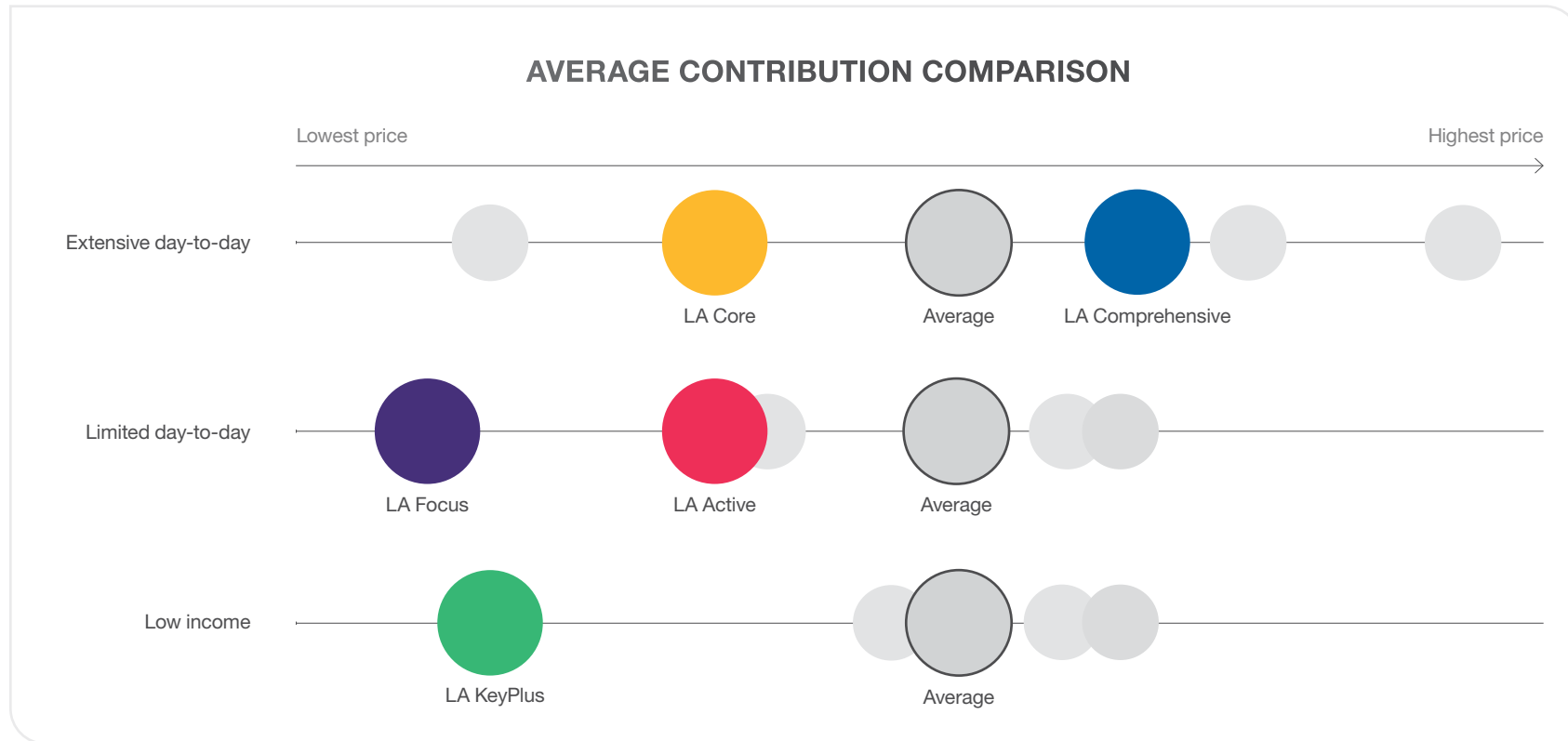
PROPORTION OF MEMBERS



COMPARABLE

AFFORDABILITY OF LA HEALTH

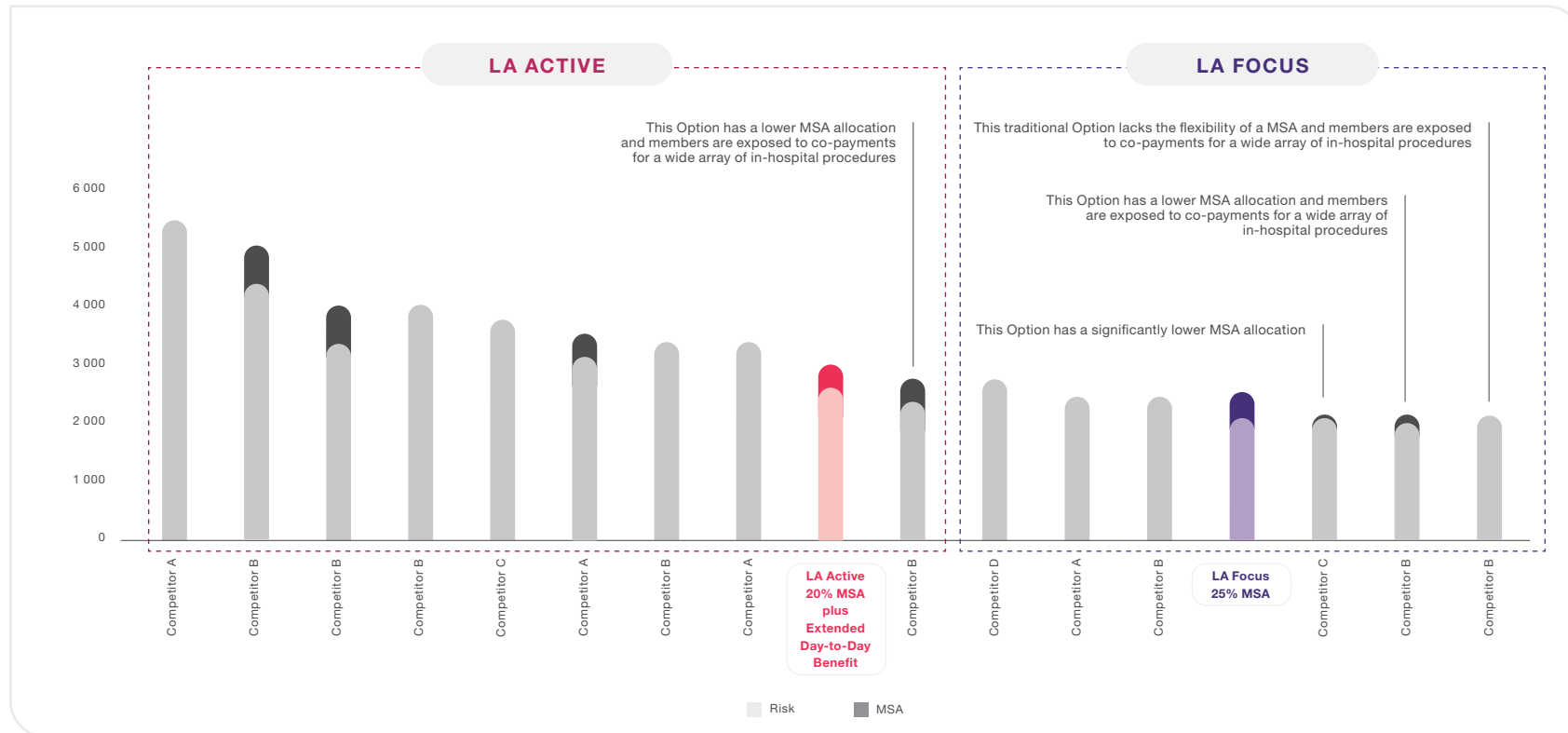
To assess LA Health's comparative affordability, we compared the average contributions for a family of three (principal member, adult and child) across all Benefit Options of the five accredited schemes in Local Government. This approach allows for comparisons on a like-for-like basis. Based on levels of coverage, the LA Health contributions are lower than average contributions in each segment.



LA HEALTH FLAGSHIP OPTIONS OFFER THE GREATEST

VALUE TO BENEFICIARIES

LA Active and LA Focus are the Benefit Options of choice for over 190 000 beneficiaries, offering the flexibility of a medical savings account, rich maternity benefits and full in-hospital cover.





● Client Services 0860 103 933 ● Fax 011 539 7276 ● www.lahealth.co.za ● service@discovery.co.za ● Report fraud anonymously 0800 004 500

LA Health Medical Scheme, registration number 1145, is administered by Discovery Health (Pty) Ltd, registration number 1997/013480/07. Discovery Health (Pty) Ltd is an authorised financial services provider.

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