NOTICE TO ALL MEMBERS

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of the members of the PG Group Medical Scheme will be held in the Auditorium, 18 Skeen Boulevard, Bedfordview on Wednesday, 3 July 2019 at 10:30.

AGENDA

1. Notice convening the meeting
2. Apologies
3. Attendance
4. Confirmation of the minutes of the AGM held on Wednesday, 20 June 2018
5. Address by the Chairperson and comments on the annual report and financial statements
6. Appointment of external auditors
7. Motions

The audited Annual Financial Statements and copies of the external auditors' and the Board's reports shall be laid before the meeting and is available for inspection by members at the Scheme's offices during normal office hours from 2 May 2019.

NOTE: Copies of the Annual Financial Statements will be available for viewing by members at all the PG Group branches. Alternatively, the Annual Financial Statements can be viewed on the Scheme's website at www.pggmeds.co.za or on the PG Group Intranet.

1. In terms of the requirements of the rules, the affairs of the Scheme shall be directed by a Board consisting of a maximum of 10 and minimum of six persons of whom:

   - not more than five shall be nominated and elected by the members of the Scheme
   - not more than five shall be appointed by the principal company, and
   - of the 10 elected members, not more than five shall represent the employer and not more than five shall represent members.

2. The following Trustees will continue in office for a further year:

EMPLOYER REPRESENTATIVE
Mr Philip Edge (Chairperson)
Mr Welcome Ntshangase
Mr Dave Koster

ALTERNATE
Mr Jerome Gray

PRINCIPAL OFFICER
Ms Lyn Longley

MEMBER REPRESENTATIVE
Ms Andrea Patterson
Mr Barry Page
Ms Lufuno Makhado

ALTERNATE
Mr Henk Cloete

PENSIONER REPRESENTATIVE
Ms Marlene McAdam

Enclosed please find a copy of the 2018 AGM minutes, which will be approved and signed at the AGM.

Yours faithfully

LYN LONGLEY
PRINCIPAL OFFICER

30 May 2019

MINUTES OF THE ANNUAL GENERAL MEETING OF THE PG GROUP MEDICAL SCHEME ('THE SCHEME') HELD ON WEDNESDAY, 20 JUNE 2018 AT 10:00 AT PG GROUP HEAD OFFICE, AUDITORIUM, 18 SKEEN BOULEVARD, BEDFORDVIEW

PRESENT

TRUSTEES:	Dave Koster	(DK)	(Employer Trustee)
	Theo Rochussen	(TR)	(Employer Trustee)
	Boyce Twele	(BT)	(Employee Trustee)
PRINCIPAL OFFICER:	Lyn Longley	(LL)	
ADMINISTRATOR:	Eugene Eakduth	(EE)	(Fund manager)
	Ayanda Nxumalo	(AN)	(Fund secretary)
	Simon Sibeko	(SS)	(Regional manager Gauteng)
	Fatima Sallie	(FS)	(Account executive)
COUNCIL FOR MEDICAL SCHEMES (CMS):	Viaan Pullen	(VP)	Senior investigator: Compliance and investigations
MEMBERS:	As per attendance register		

APOLOGIES

TRUSTEES:	Philip Edge	(PE)	(Employer Trustee)
	Welcome Ntshangase	(WN)	(Employer Trustee)
	Andrea Patterson	(AP)	(Employee Trustee)
	Barry Page	(BP)	(Employee Trustee)
	Marlene McAdam	(McA)	(Pensioner representative)
	Chontal Dunstan		
	Charles Bromley		
	Pat and Stuart Bates		

1. NOTICE CONVENING THE MEETING

On behalf of the Chairperson and Trustees, L Longley welcomed everyone present at the 2018 Annual General Meeting (AGM) and informed everyone that she would chair the meeting. With a quorum of at least 15 members being present, the Chairperson declared the meeting duly constituted.

2. APOLOGIES

The Chairperson noted the apologies.

3. ATTENDANCE

Attendance was recorded in the attendance register.

4. CONFIRMATION OF MINUTES

Having circulated the minutes of the AGM held on 20 June 2017 to all parties, it was taken as read and signed by the Chairperson as a true record of the proceedings. Proposed by Theo Rochussen and seconded by Boyce Twele.

5. ADDRESS BY THE CHAIRPERSON AND COMMENT ON THE ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS (AFS)

The Chairperson referred to the Annual Financial Statements (AFS), the Board of Trustees (BOT) report and the auditors' report for the year ended 31 December 2017. The Chairperson noted that a short summary had been prepared by Zayneb Adam, the Scheme's financial manager, which highlighted the following:

- The Scheme performed very well in 2017. While the claims experience was still higher than the previous year, the claims ratio decreased from 110% in 2016 to 101% in 2017.

- The Scheme produced a gross healthcare deficit of R430 000 and a net healthcare deficit of R4.8 million for 2017. Both these results were significantly better in comparison to the 2016 figures.

- The investment returns performed 51% better than expected for the financial year and were derived from funds invested with Stanlib Cash Management, Allan Gray Asset Managers and funds held on overnight call at FNB.

- Although the solvency had reduced from 77% in the prior year, the Council for Medical Schemes (CMS) required medical schemes to hold a minimum solvency level of 25%. The Scheme ended the year on a net surplus of R2.1 million and a healthy solvency ratio of 72%.

- The Scheme operated in a well-established, controlled environment, which was well documented and regularly reviewed and incorporated risk management and internal control procedures designed to provide reasonable, but not absolute, assurance that assets were safeguarded and the risks facing the business were being controlled.

- The Trustees met on a quarterly basis and monitored the performance of the Scheme and the Administrator.

- The Trustees addressed a range of key issues and ensured that discussions of items of policy, strategy and performance were critical, informed and constructive.

- The Scheme was compliant with International Financial Reporting Standards (IFRS) and once again received a clean audit report in 2017.

- The auditors believed that the AFS fairly represented, in all material respects, the financial position of the Scheme as at 31 December 2017 and that the financial performance and cash flows of the Scheme for the year ended, were in accordance with International Financial Reporting Standards, and in the manner required by the South African Medical Schemes Act 131 of 1998.

The Chairperson advised that she was pleased that the Scheme ended 2017 on a positive note as this was the first time in three years that the Scheme had achieved this. She noted that the Audit Committee, together with the Deloitte audit partner, had discussed the AFS in detail and proposed that the Trustees adopt the AFS, which they had agreed to.

The Chairperson proposed that the AFS, the BOT report and the auditors' report be approved and adopted.

The members present agreed by a show of hands.

6. PRESS RELEASE 3 OF 2015

The Chairperson advised members that by attending the AGM they had an opportunity to ask key and critical questions on Scheme-related matters. She noted that the CMS encouraged members to play a part in actively participating in the AGM as a form of exercising governance over the Scheme.

7. CMS CIRCULAR 18 OF 2012: SCHEMES NOTIFICATION OF DATES FOR THE HOLDING OF SCHEME MEETING AND ELECTIONS

The Chairperson noted that one of the functions of the CMS was to protect the interests of medical scheme beneficiaries at all times. She further noted that the Scheme had notified and provided the CMS on 28 May 2016 with details of the notification as well as a copy of the AGM meeting pack that had been circulated to all members. A special word of welcome was extended to Viaan Pullen from CMS.

8. ADDRESS BY THE CHAIRPERSON

The Chairperson advised that the Scheme was managed by a BOT, whose primary objective was to look after the interests of its members. She added that the Scheme, administered by MMI Health (Pty) Ltd, continued to be well managed and it was pleasing to note that the Scheme continued to meet the stringent criteria needed to achieve the solvency levels set by the Registrar of medical schemes.

The Chairperson noted that the Scheme enjoyed another year of sound financial performance, ending the year with a substantial solvency ratio of 72%. She advised that it was compulsory for all employees of the PG Group to join the medical scheme unless they were beneficiaries on their spouse's medical scheme. She noted that during the 2017 financial year, the Scheme and the Administrator had invested significant time and resources in ensuring that members experienced a simpler, more streamlined private healthcare experience. The Chairperson stated that there were many members that benefited from the Scheme's benefit design, as well as the Administrator's ability to work closely with health professionals to coordinate the care members received. As a result, there were fewer consultations, tests and procedures, which ensured that the best possible clinical outcomes were attained.

The Chairperson noted that ongoing market analysis had shown that the PG Group Medical Scheme remained an affordable medical scheme that compared favourably with the open medical scheme market. Members could rest assured that the Scheme was able to fund their healthcare expenses reliably for the foreseeable future.

The Chairperson advised that the Trustees were entrusted to take action and reduce costs for the Scheme and to ensure that the Scheme's solvency remained above a certain level. The Trustees continued to promote health improvements and wellness benefits to help manage rising healthcare costs and improve productivity, which is evident from the wellness days held at the PG Group's various sites. The Chairperson added that the Scheme was looking to instil a health-conscious culture, culminating in positive health behaviours, ranging from becoming more active and healthier, seeking preventative care and improving the management of chronic conditions.

(a) MMI Health (Pty) Ltd (MMI) (ex-Metropolitan Health)

The Chairperson advised that MMI's continued focus on product and service innovation ensured that the Scheme was able to meet operational and other challenges in an efficient and relevant manner. In addition, MMI's focus on risk management and negotiated provider fees enabled the PG Group Medical Scheme to manage care and costs effectively, thereby minimising abuse and providing the best quality healthcare for members.

(b) PG Group Medical Scheme

The Chairperson advised that the Scheme was a closed medical scheme, which meant that only employees of the PG Group were eligible to join as principal members. The Scheme believed that their valued members utilised their benefits in an honest and responsible manner and were conscious of the importance of good health. She noted that retired staff had the option of remaining as continuation members of the Scheme or they could choose to join an open medical scheme. Members, however, had to enquire about the imposition of waiting periods on the new medical scheme if they chose this route.

The Chairperson stated that the Scheme operated in a well-established, controlled environment, which was well documented and regularly reviewed and incorporated risk management and internal control procedures designed

to provide reasonable, but not absolute, assurance that assets were safeguarded and the risks facing the business were being controlled.

The Chairperson advised that Scheme costs were carefully managed and that the Scheme had delivered both savings and efficiencies. She added further that the Scheme continued to assign substantial efforts in providing superior customer service to its members. This included a dedicated call centre for members to contact with medical scheme-related queries and account executives who paid regularly visits to the various PG Group offices to consult members who needed any medical issues resolved.

The Chairperson noted that member spending in a controlled and wise manner was vital to the sustainability of the Scheme and thanked the members for adopting that approach.

(c) Contributions

The Chairperson advised that the Scheme's healthy reserves had enabled the Board, with the support of the benefit design team, to maintain contribution increases for 2018 at competitive levels, while simultaneously enhancing benefits. She added that the continued financial discipline of the members of the Scheme had enabled the Trustees to limit contribution increases for 2018 to 8.0%.

(d) Savings

The Chairperson advised that the savings level had not increased, as it was a set amount that was split out of the contribution and placed into members' medical savings accounts for consultations, day-to-day services, etc. It was of concern to the Trustees that more members were exhausting their medication benefits earlier in the year, resulting in out-of-pocket expenses in the latter part of the year. To this end, the Trustees took the initiative of assisting members to conserve their savings by implementing a change on co-payments being funded from members' savings accounts.

Previously, co-payments on medication were automatically paid from members' savings and therefore members were not aware of the co-payment. This often meant that pharmacists did not inform members when there was a cheaper generic alternative available for a specific medication. The Board had introduced an initiative whereby members would pay for the difference out of their pocket and then claim from their savings at their earliest convenience. This resulted in an increase in call volumes from members requesting short-payments to be paid from their savings, but the positive aspect is that members were now exercising more control over their savings.

(e) 2018 Benefits

The Chairperson stated that the overall annual limit remained at R400 000 per beneficiary and all category sub-limits have been increased in line with inflation. She noted that this was a precautionary limit and members could be assured that the Scheme would pay in excess of R400 000 if, and when the need arose.

(f) New matters

(i) Reference pricing on acute and chronic medication

The Chairperson advised that this was a maximum price the Scheme would pay for a group of medicines in the same therapeutic class and if a member chose to claim for a medication that was more expensive than the reference price, the member would have to pay the difference i.e. a co-payment. She noted that there would always be a clinically appropriate choice of medication at or below the reference price.

(ii) Maximum medical aid price (MMAP) on acute medication

The Chairperson stated that the Scheme had always applied MMAP on chronic medication but not on acute medication, however, this had changed in 2017. If a member chose a more expensive brand name for acute medication when there was a generic equivalent available, the generic equivalent would be refunded and the member would have to pay the balance. She noted that generics and therapeutic substitutes assisted in saving on medicine costs and that generics used the same active ingredients as branded products but were more affordable. In rare instances when a member had an adverse reaction to a generic equivalent, the member's doctor could submit a motivation to the Scheme for the member to continue using the branded product. This would be considered and approved by the Scheme if deemed appropriate.

The Chairperson noted that co-payments were not automatically paid from members' savings accounts, but members could request the balance to be paid from their savings when they claimed at a later stage, as this could

not be done at the time of purchasing medication.

(iii) No change in medicine risk management (MRM)

The Chairperson advised that there had been no change to the medicine risk management programme, which required members to register their chronic medication. She clarified that the MRM department only authorised medication and could not supply medication. Members had to register on the programme in order to qualify for the benefits and if they failed to do so, the benefit would be paid from their savings account instead of the chronic medication benefit.

The Chairperson stated that members had to provide a prescription with the correct diagnosis codes, as well as their membership details in order to register on the programme. This could be faxed, emailed or a telephonic call can be made by the pharmacist or service provider for new or renewal scripts.

(iv) Move from acute to chronic medication

The Chairperson advised that some Scheme members had been paying for certain medication from their savings, which should have been paid from their chronic medication benefit. The members hadn't registered the medication on chronic, which ultimately disadvantaged them in terms of their savings being incorrectly utilised. She noted that the Trustees had requested Mediscor to block certain chronic medication from automatically being paid from members' savings accounts. This resulted in some members' claims being rejected at the pharmacy, but they were advised to register the medication onto the chronic medication programme. The Chairperson stated that the advantage of compulsory chronic medication registration was aimed at preserving members' savings for their future day-to-day claims.

(v) Mediscor with effect from 16 December 2016

The Chairperson advised that there had always been a medicine management provider working behind the scenes, called a switching house, which meant that all medication-related claims from pharmacies were submitted to Mediscor for verification and adjudication. Mediscor verified all member details before a claim was re-routed back to the pharmacy to advise whether or not a claim was being paid and the reasons for the rejection. The Chairperson advised that Mediscor had been invited to the Board of Trustees meeting of 30 May 2018 where they had confirmed that the Scheme had saved approximately R500 000 as a result of the medication changes implemented.

(vi) The South African Private Ambulance and Emergency Services Association (SAPAESA)

The Chairperson advised that the South African Private Ambulance and Emergency Services Association (SAPAESA), an association representing a number of smaller emergency services businesses, lodged a case with the CMS regarding the ambulatory capitation practices of Netcare 911. The Scheme has a capitation arrangement with Netcare 911. The Chairperson advised that SAPAESA considered the capitation agreements with 11 medical schemes to be anti-competitive and also in conflict with the Medical Schemes Act's accreditation requirements. In December 2017, the Registrar of the CMS ruled in favour of SAPAESA, which has implications not only for the medical schemes listed as respondents but establishes a precedent, which impacts all medical schemes utilising ambulance service providers where a capitation agreement is in place for the provision of this service. Netcare 911 lodged an appeal against the ruling.

The Chairperson advised that they would not be making a change to their service provider until a ruling had been made.

(vii) VAT increase

The Chairperson advised that the VAT increase from 14% - 15% with effect from 1 April 2018 would have financial implications for medical schemes as the service providers would bill for the extra percentage, which will have to be absorbed by medical schemes in line with the directive issued by CMS.

(viii) CMS inspection

The members were advised that a routine inspection was conducted into the Scheme's affairs by auditors appointed by the CMS. The inspection spanned over a three-year period with a report being issued detailing findings highlighted as high level summary and detailed findings. The high level summaries were listed as:

- There was a lack of guidelines to manage conflict of interest.
- The terms of reference of some of the Board and sub-committees have not yet been finalised.

- There is no indication of a robust procurement process.
- The independence of the Audit Committee is not assured.

The Chairperson advised that the Scheme was in the process of finalising the Scheme's terms of reference document, which would incorporate the Scheme's gift, conflict of interest and procurement policies noting that once the Audit Committee has reviewed and finalised the document, it would be provided to the Trustees for final approval at the Board of Trustees meeting of 29 August 2018.

(ix) Annual reference price – effective 1 August 2018

The Chairperson advised that 184 Scheme members would be affected by the change, which means that the amount of members already paying co-payments would increase from 1 August 2018. She noted that 73 (seventy three) members would have an increase greater than R10 and that affected members would receive personalised letters to inform them of their specific increase. The letters will provide members with options on what they could do to minimise the increase.

(x) ICU panel intervention for ICU cases exceeding seven days

The Chairperson advised that the intervention recommended for patients with an ICU stay of more than seven days, whereby the treating doctor was offered an option to consult an ICU specialist, thereby eliminating the 'middle man', which included lengthy motivations to the MMI case management team to extend an ICU stay. She reminded members to call MMI to request an extension of any hospital stay when the need arose, as the Scheme would only pay for the amount of hospital days initially authorised. The Chairperson noted that treating doctors have direct discussions with super specialists who they learn from and thereby render better quality of care. The ICU panel also supported doctors when they needed to have difficult discussions with the patient's family to prevent futile care. The initiative was therefore not only patient and family centered, but also provider and cost centered.

The Chairperson noted that there were two components to the ICU panel intervention, one being the ICU panel consisting of a wide range of respected industry specialists, as well as an onsite case management aspect. These ICU-trained nurses had the means to liaise with the doctor, nursing staff and the member's family directly and had access to the member's file to report on irregularities. They would also arrange social workers or spiritual counsellors if and when requested by the family to provide support.

Fritz Braack referred to the Scheme's annual limit for hospitalisation of R400 000 and asked whether in cases where an ICU stay exceeded the annual limit, the member would be liable for the balance. The Chairperson responded that most ICU stays were emergencies or deemed to be prescribed minimum benefits (PMBs), which meant that the member would not have to pay for the treatment. She noted that if it was not a PMB-related admission, the case would be considered by the Scheme but there had yet to be a case that had exceeded the R400 000 limit and had not been paid for by the Scheme.

Mr Braack expressed his frustrations with the number of out-of-pocket expenses members incurred in spite of having healthy savings balances. The Chairperson clarified that the medical scheme could not refund non-medical expenses without an ICD-10 code for items such as admin fees charged by doctors for opening a member's medical file, etc. She further clarified that some specialists charged above the Scheme rate, which resulted in members having to pay for the difference, for which they could be refunded from their positive savings balances.

A member queried whether there was a list of doctors who did not require payment upfront for consultations that could be made available to members. The Chairperson noted that it was now common practice for members to be informed by the specialist's rooms upfront when an appointment was made and was also well advertised in their consulting rooms.

In response to a query from Jerome Gray how members could ascertain what their savings balances were, the Chairperson advised that the balance was included on their member claims statements. She urged all members who were not yet registered on the Scheme's website to do so, so that they could have easy access to their statements and other Scheme-related information. Mr Gray further queried whether the Scheme's rate was in line with the rest of the industry as members were liable for co-payments after a consultation with a specialist. The Chairperson responded that most specialists charged above the Scheme rate and divulged their rates to members when an appointment was made. She advised members to submit any shortfalls to the Scheme for reimbursement from their positive savings accounts.

A member expressed her frustration with pharmacists not divulging the reasons medication was sometimes rejected when a member utilised their medical scheme. The Chairperson noted that ideally pharmacists should inform members of these reasons but often didn't due to various reasons. She encouraged members to build a good relationship with their pharmacists.

Responding to a question on whether the medication changes introduced in 2017 had been communicated to members, the Chairperson confirmed that an article had been included in the Scheme's newsletter and personalised letters had been sent to those affected members. The member queried whether members could claim for medical-related expenses from their taxes for items such as admin fees, when a doctor opened a new patient file. The Chairperson confirmed that this could be done, as the rejected medical claims paid for by members were listed on the members tax certificates sent to members annually.

9. TRUSTEES REMAINING IN OFFICE FOR 2018

The Chairperson informed the members that the following were currently Trustees on the Board.

Employer representatives

- Philip Edge (Chairperson)
- Dave Koster
- Welcome Ntshangase
- Theo Rochussen (alternate).

Employee representatives

- Andrea Patterson
- Barry Page
- Boyce Twele
- Henk Cloete (alternate).

The Chairperson advised that she would continue serving the Scheme as an independent Principal Officer and that Marlene McAdam would continue to represent pensioner members. She noted that Mr Twele and Mr Page had completed their three-year terms as Trustees. Nomination forms were distributed as per the Scheme's rules that stated that if there was more than one nominee, an election process would take place at the AGM. The Chairperson advised that one nomination was received in respect of Shatterprufe in Port Elizabeth being Barry Page and one nomination received in respect of PG Building Glass being Lufuno Makhado.

The Chairperson congratulated Barry Page and Lufuno Makhado on behalf of the Board on their election as member representatives on the Board of Trustees. Sincere appreciation was extended to Boyce Twele for his valuable contribution to the meetings during his tenure on the Board.

10. APPOINTMENT OF EXTERNAL AUDITORS

The Chairperson advised that in terms of the rules, the Scheme's auditors were required to be appointed by resolution at each AGM. After discussions at the Board of Trustees meeting of 30 May 2018, the Chairperson proposed that Deloitte be re-appointed for a further year, as their fees remained competitive. She advised that the audit had moved from the Durban office to Cape Town, and as such a new team had audited the Scheme.

The Chairperson advised that as a result of the Scheme moving to the ISquare platform at MMI, the new audit team at Deloitte had made a decision to conduct additional substantive testing and as such the audit work and sample size increased significantly.

The proposal to appoint Deloitte for a further year was seconded by Jerome Gray.

11. INTERNAL AUDIT CHAIRPERSON

The Chairperson advised that Theo Rochussen competently led the Scheme's Internal Audit Committee, which met three times a year.

12. GENERAL

No issues were raised.

13. NOTICES OF MOTIONS

In terms of the rules of the Scheme, notices of motions are to be placed before the AGM and should reach Lyn Longley not later than seven days prior to the date of dispatch of the notice of meeting. The Chairperson confirmed that no motions had been received.

On behalf of Phillip Edge, the Chairperson sincerely thanked the members for their attendance and continued support of the Scheme and for maintaining very high ethical standards. She extended thanks to the Fund Manager, Eugene Eakduth, Gita Maniram and Ayanda Nxumalo who diligently assisted with member queries, requests and other administrative issues.

Special thanks was extended to the Board of Trustees, Audit, Benefit Design and Investment sub-committees, as well as the Principal Officer for their diligence in handling matters of the Scheme. Heartfelt thanks were also extended to Gary Scott, Claiton Manikai and their team that had moved from Willis Towers Watson to NMG in February 2018.

The Chairperson noted that the Board of Trustees were committed in ensuring good governance and the sustainability of the Scheme. To this end, they would engage in various Trustee training workshops.

On behalf of Phillip Edge, the Chairperson stated that the Board was pleased to have been of service to the members and looked forward to the challenges that lay ahead. A special note of appreciation was noted to the Board members for their guidance and support.

The Chairperson declared the meeting closed at 11:40.

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CHAIRPERSON