

December 2020

Dear Libcare Member

National Healthcare Environment: COVID-19

Although other developments regarding major changes to the national healthcare system continued into 2020, the COVID-19 global pandemic which spread during the year dominated attention and efforts across the healthcare environment. The pandemic, the related national response efforts, and their combined effects, continue to be extensively documented, reported and analysed, even as reports of the production of effective vaccines against the virus are emerging.

As was required in terms of international financial reporting standards, the Trustees' Report in the 2019 Annual Financial Statements - published to members via email and on the Scheme's website in June 2020 - explained the anticipated impact on the Scheme. The Scheme Actuary provided the Trustees with COVID-19 claims-cost scenarios, taking into account any reductions in asset values as at 31 March 2020. Based on those scenarios, and the information known to date at the time of preparation of the Annual Financial Statements, the Scheme's solvency ratio at the end of 2020 was projected to be between 97% and 98%.

Generally across the medical schemes' environment in 2020, medical schemes - including Libcare - experienced lower claims costs (even after allowing for the COVID-19 related claims costs), because of elective surgeries and other medical services either being postponed or cancelled. In 2021, however, it is expected to result in additional claims costs as the elective surgeries and other medical services that did not take place in 2020, are incurred in 2021. These factors, together with the pessimistic outlook in respect of the impact of slow economic recovery on investment returns, continue to be regularly monitored by the Trustees, who manage Libcare's financial position, which is aligned to the principle of maintaining the long-term sustainability of the comprehensive benefit cover provided by the Scheme.

Up to the date of drafting this notification, the Scheme had processed just over 1900 claims for COVID-19 tests. Just under 40 Scheme beneficiaries had been hospitalised for complications related to the infection, and sadly, 7 beneficiaries succumbed to the virus. The Scheme wishes to extend its sincere condolences to the families and friends of those who passed away. The Scheme also salutes the healthcare- and other essential services workers who made the necessary sacrifices and efforts to remain on duty during this unprecedented crisis.

Libcare Financial Position

As reported to members in the 2019 Annual Financial Statements (published at www.libcare.co.za), Libcare experienced a satisfactory financial result for 2019, with a surplus of R15m compared to the previous year's deficit of R3m. This stood the Scheme in good stead to withstand the potential impact of any unexpectedly higher claims due to the pandemic, and also provided a stable base for the annual contribution increase assessment.

2020 Annual General Meeting Postponed

The Scheme notified members in mid-2020 that it had applied to the Regulator for an exemption from holding the 2020 AGM in June as required by the Scheme Rules. This exemption was applied for due to the congregation restrictions imposed by the national lockdown, the Liberty Group's adoption of a remote-working approach during the COVID-19 pandemic, as well as the Trustees' continued desire to ensure the safety and wellbeing of Libcare members who usually attend the AGM, and their consideration of the exclusionary implications and logistical challenges of holding a virtual AGM. The Regulator granted the exemption in August 2020. At date of drafting this notification, there is no reliable indication of when it will

be safe and feasible to hold the 2020 AGM in terms of the Scheme Rules, but the Trustees will keep members updated should further developments in this regard arise.

Sale of Shares by the Shareholder of the Administrator

The Scheme recently notified members of the above transaction, which was effective 1 October 2020. In this transaction, Liberty Holdings, the shareholder of Liberty Health Administration (the contracted administrators of Libcare), sold 100% of their shareholding to the administration business within Discovery Health. As confirmed in the communication emailed to Libcare members in this regard in November 2020, the transaction involving the sale of shares in Liberty Health Administration did not impact the benefits and contributions of Libcare nor of the employer policies. The communication was accompanied by an infographic which explained the distinct roles of a medical scheme versus a contracted administrator. We again encourage you to read the infographic to ensure you have a full understanding of the implications of this transaction on Libcare and its members.

Decisions regarding any changes to Libcare rules, benefits, contributions and administration service arrangements remain with the Libcare Board of Trustees (who are all Libcare members, and are therefore either employees or retirees of the Liberty Group). Decisions to make any changes to Liberty Group's employee benefit policies remain with the Liberty Group executive committee.

Benefit and Contribution Changes for 2021

The Trustees are pleased to announce that the *average gross contribution increase, effective 1 January 2021, is 4.8%* (2020: 7.9%). This is off a lower contribution base than comparable comprehensive medical scheme options, and enables Libcare to continue to offer competitively-priced cover for members.

2021 Contribution Rates and Benefits*, effective from 1 January 2021

2021 Pensionable Base/ Income Band	Principal Member Rate (R)				Adult Dependant Rate (R)				Child Dependant Rate (R)			
	2021	2020	R Increase	% Increase	2021	2020	R Increase	% Increase	2021	2020	R Increase	% Increase
R0 - R6 469	1,596	1,522	74	4.9%	1,465	1,396	69	4.9%	405	386	19	4.9%
R6 470 - R7 869	1,720	1,639	81	4.9%	1,586	1,512	74	4.9%	439	417	22	5.3%
R7 870 - R9 609	1,862	1,777	85	4.8%	1,720	1,639	81	4.9%	474	450	24	5.3%
R9 610 - R11 059	2,298	2,191	107	4.9%	2,110	2,012	98	4.9%	577	548	29	5.3%
R11 060 - R12 679	2,605	2,484	121	4.9%	2,396	2,284	112	4.9%	655	624	31	5.0%
R12 680 - R16 079	2,836	2,705	131	4.8%	2,615	2,493	122	4.9%	710	677	33	4.9%
R16 080 - R19 239	3,089	2,946	143	4.9%	2,834	2,703	131	4.8%	779	743	36	4.8%
R19 240 - R22 099	3,334	3,179	155	4.9%	3,062	2,922	140	4.8%	843	803	40	5.0%
R22 100 - R32 059	3,612	3,446	166	4.8%	3,322	3,170	152	4.8%	912	870	42	4.8%
R32 060 +	3,934	3,753	181	4.8%	3,612	3,446	166	4.8%	991	943	48	5.1%

* The 2021 Rates and Benefits have been approved by the Medical Schemes Regulator.

Note: The income bands are adjusted for inflation for 2021, and therefore are not the same band limits as for 2020. The 2021 Income band limits have been increased by approximately 4.8%.

The following benefit improvements and changes will also be effective from 1 January 2021:

- An additional **Preventative Care Benefit**, for **one mental health consultation** (GP, psychiatrist or psychologist) per beneficiary per annum.
- An **overall benefit limit** for **External Prostheses**, of R100 000 per beneficiary per year, with a sub-limit of R23 000 for artificial eyes, R8 000 for callipers, R7 500 for post-mastectomy prostheses and R60 000 for artificial limbs.
- **Benefit limits**, the **Out-of-Hospital Expenses Benefit (OHEB)**, the **Above-Threshold Benefit (ATB) Level**, and the **Libcare Reimbursement Rate**, have each been increased by **4.3% (subject to rounding)**.
- The percentage of gross contribution allocated to the **Medical Savings Facility** remains at **16% of the total contribution**.

For more details on the specific rules and benefits for the 2021 year, please consult the Libcare 2021 Member Guide on www.libcare.co.za (or as emailed to you with this notice if we have your email address on our system).

The Trustees keep abreast of developments in the broader medical schemes' environment, and actively participate in several industry forums to assess the implications for the Scheme of national policy and regulatory changes, and other industry developments.

The Trustees remain confident that Libcare is in a good position to face the increasingly complex healthcare cost management challenges, and that the Scheme will continue to be able to provide members with affordable, comprehensive cover in the year to come.

We encourage all our member families to maintain all the recommended COVID-19 risk mitigation precautions to stay safe and well and reduce the risk to their health. Please continue to practise social distancing, wearing of masks, hand-washing and sanitising, and practise humanity and consideration for fellow citizens.

We wish all our members a safe and restful holiday season, and a healthy and productive 2021!

LIBCARE TRUSTEES