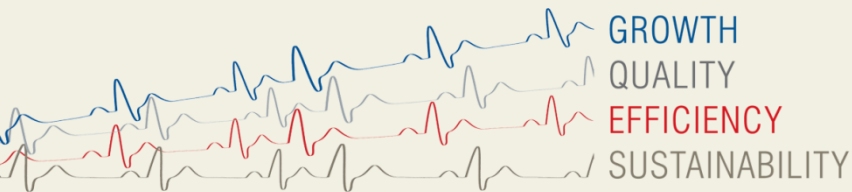




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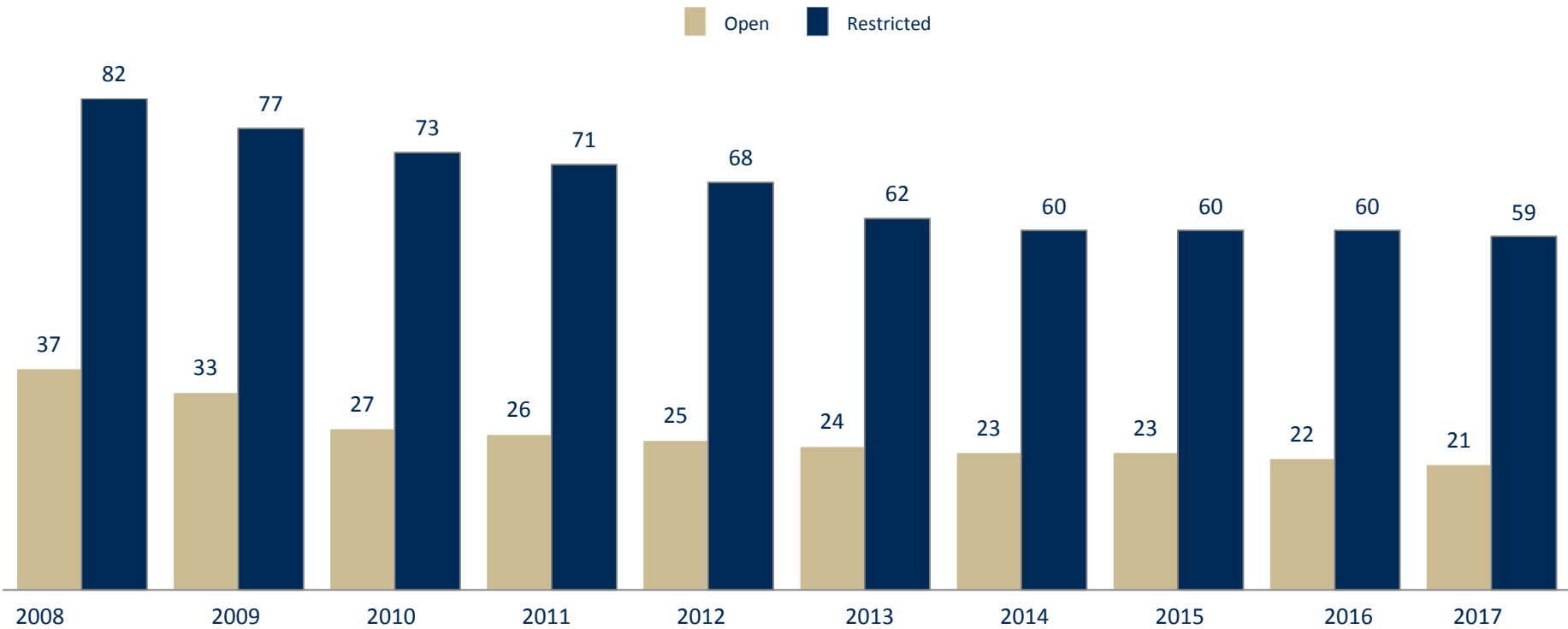
Making life better

Key points

- Changing market dynamic
- Network lives continue growing
- LHC Alternative Reimbursement Models (ARMs)
- Increase in CDL amongst admissions to Acute LHC Hospitals
- Cyclical nature of market

Funder consolidation continues in the insured market, increasing their leverage and their pressure on hospital groups

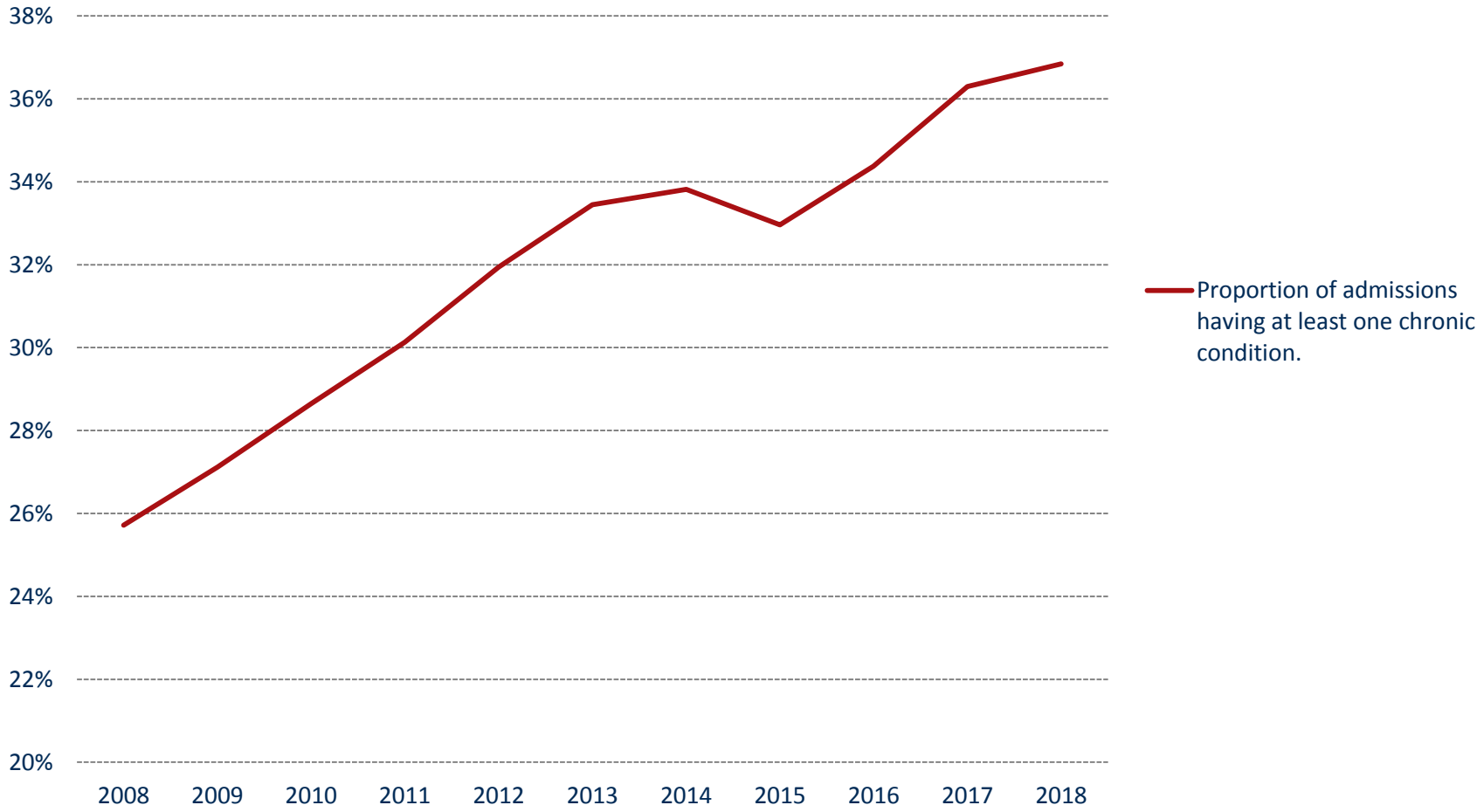
Number of open and restricted schemes in South Africa, 2004-2017



Key Trends
The top 3 administrators make up 75% of all lives

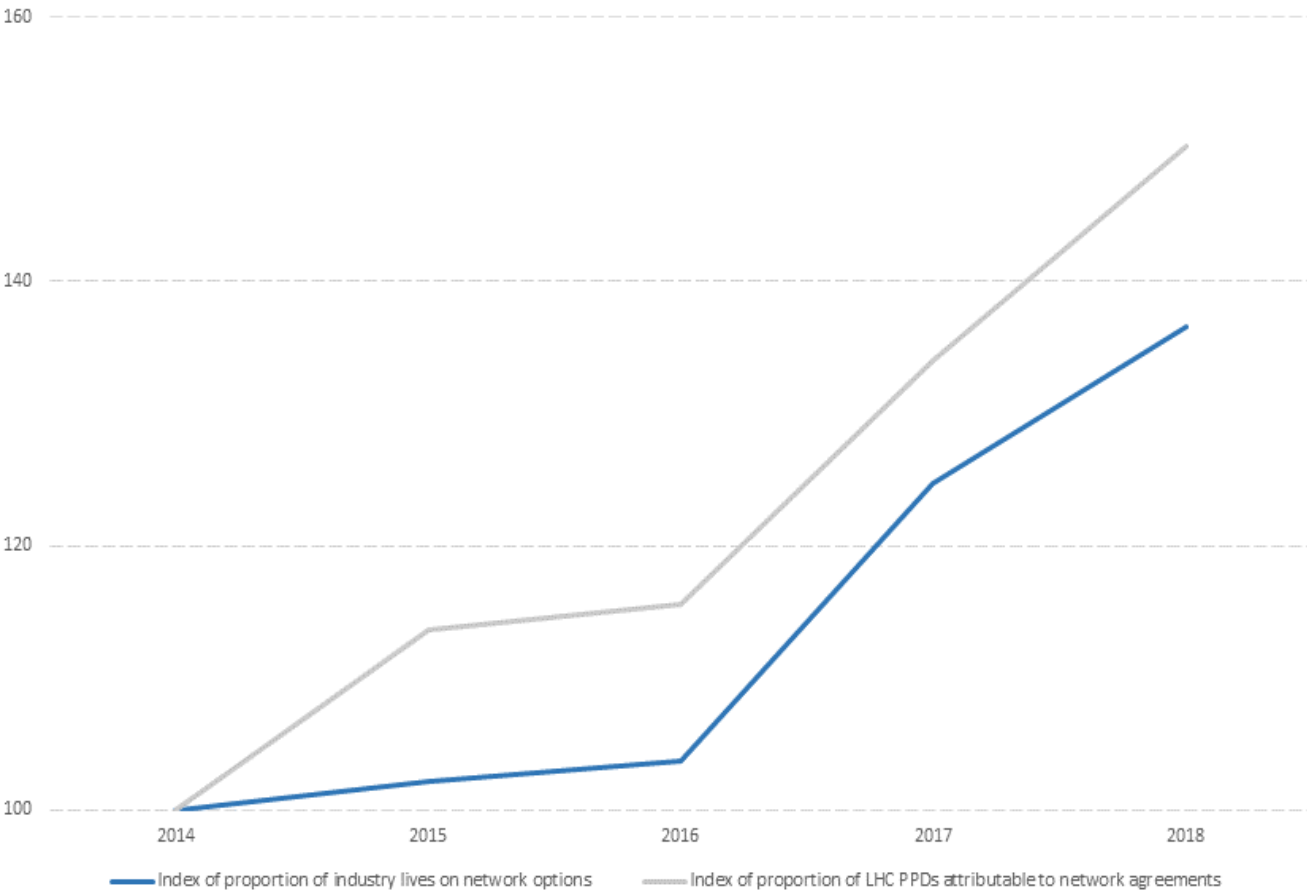
Incidence of chronic diseases of lifestyle amongst patients admitted to our hospitals

Incidence of Chronic Diseases in patient admissions: 2008 - 2018



Network lives continue to grow

Development of network lives and LHC network admissions



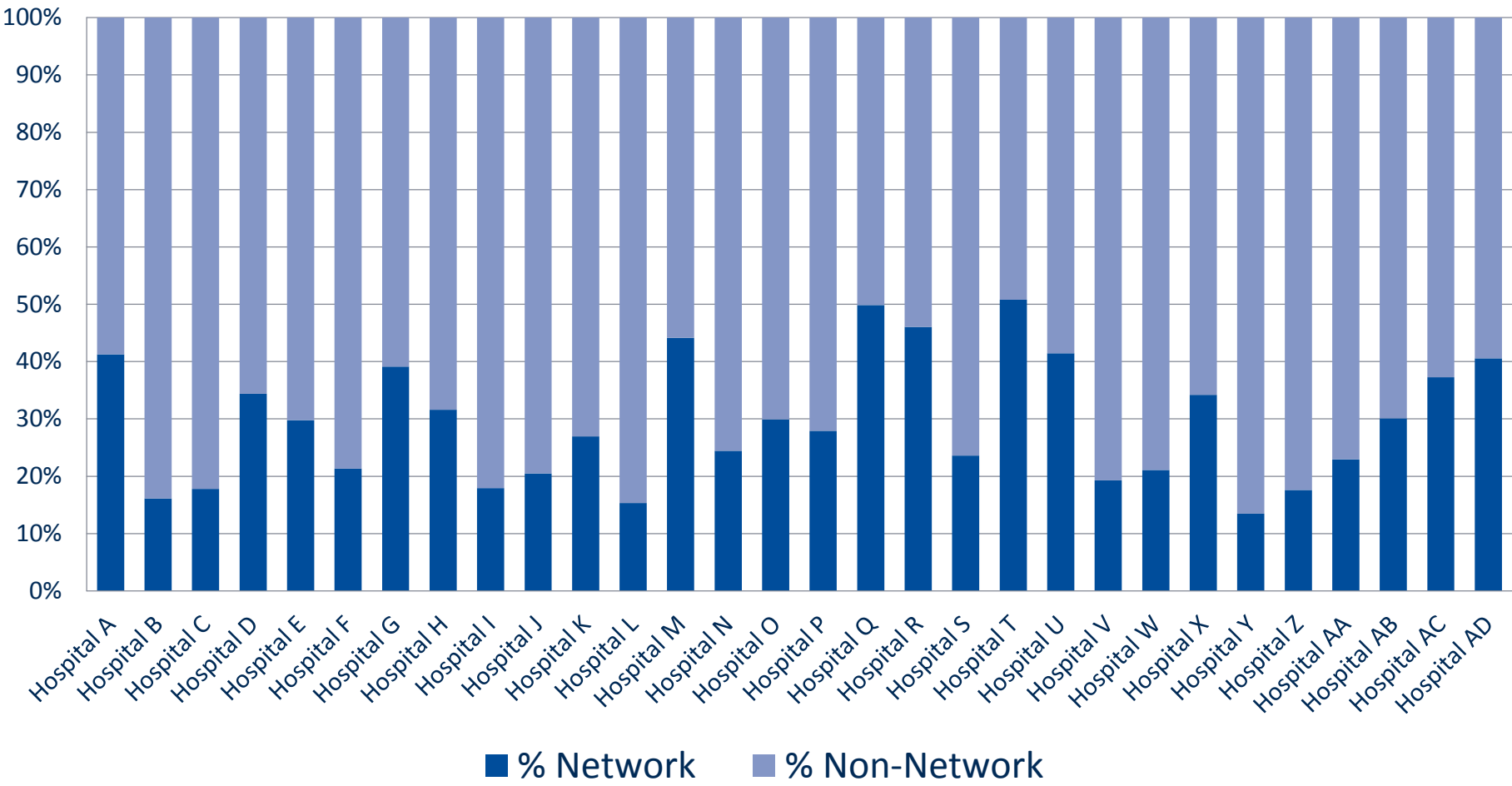
Examples of networks that excluded big three hospital groups

- LHC’s exclusion from the Bonitas network in 2017
- LHC’s exclusion from Health Squared in 2019,
- Competitor’s exclusion from Polmed in 2019 and
- Competitor’s exclusion from GEMS EVO option in 2017.

Proportion of LHC PPDs on network agreements increased by 49% between 2014 and 2018, while the proportion of industry lives on network options increased by 37% over the same period.

% of Network PPD's generated from LHC's top 30 Hospitals

% PPDs generated from Networks vs. Non-networks in 2018 Top 30 LHC Hospitals

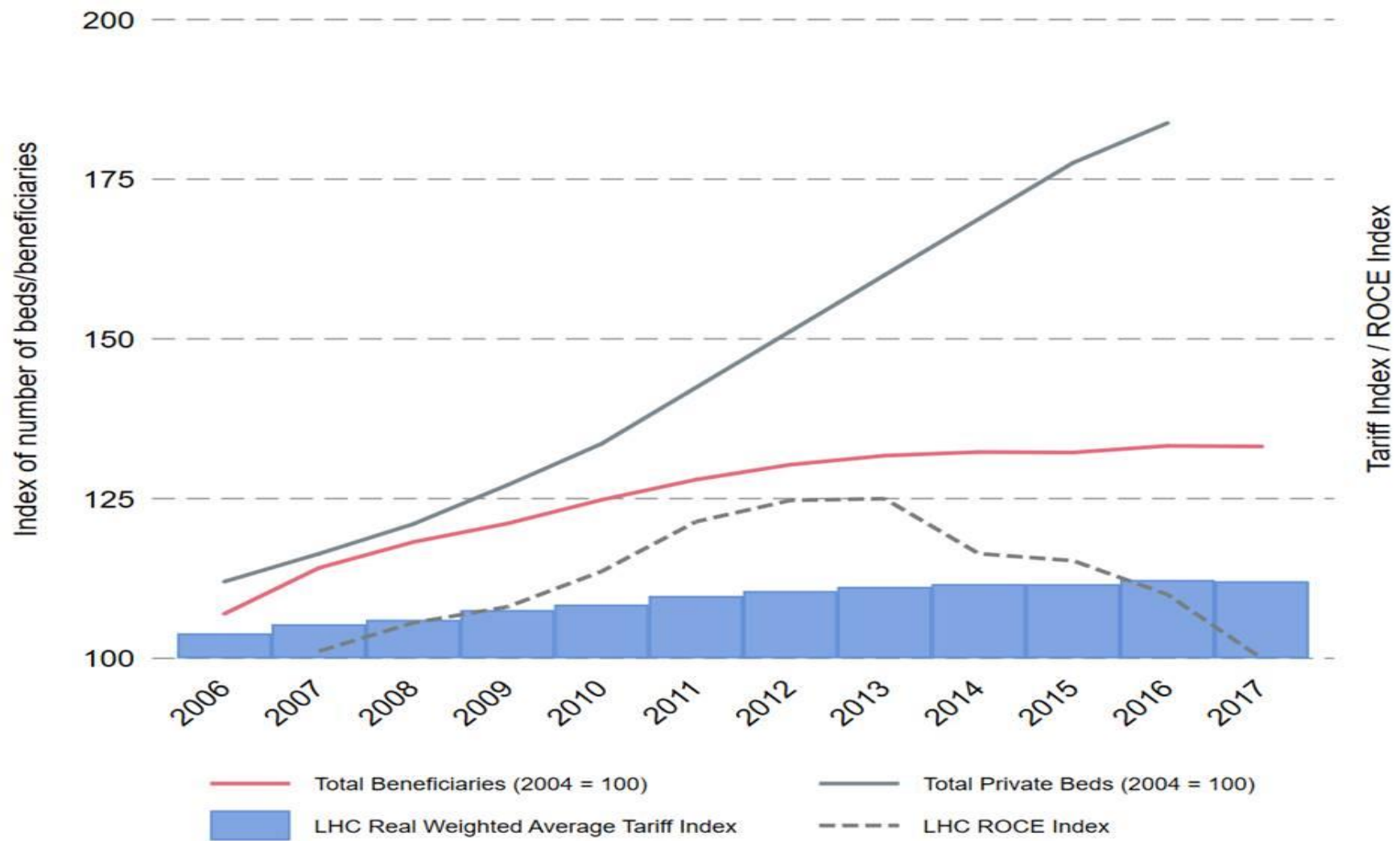


LHC ARM's

- LHC led the market in introducing ARMs such as Per Diem and Fixed Fee tariffs more than 15 years ago. ARMs introduced an element of risk sharing by the hospital with respect to utilisation.
- Approximately 2/3rd of LHC revenue is generated from ARMs.
- LHC ARMs give a **coverage** of about **90%** of scheme's hospital expenditure – 10% are carve outs.
 - ARM applies only on acute care hospital expenditure - **mental health, rehabs, day clinics and sub-acute care** (which typically account for about 4% of a scheme's total hospital expenditure) are not part of the ARM from the start.
 - **Prostheses and Benefit Limit** items are not part of the ARM.

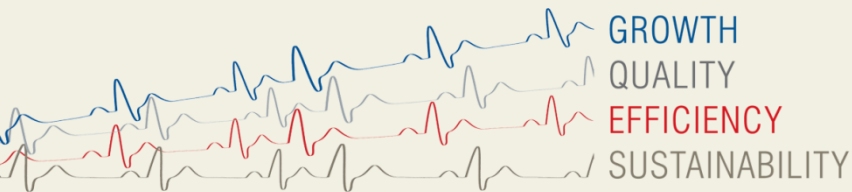
LHC's Economic Cycle

Real annual average tariff *index* & Index of LHC's ROCE :





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