

**Dear Member**

For some time now the benefits offered by the Wooltru Healthcare Fund have been extremely generous in relation to the contributions paid by members. When compared to other medical schemes offering similar benefits, the Wooltru Healthcare Fund member pays far less for much better benefits. However, with medical inflation currently estimated at 12%, it has become necessary to bring the Wooltru Healthcare Fund's contributions more in line with the benefits that members are receiving.

This letter briefly outlines the Wooltru Healthcare Fund's current financial position and details some important changes that will be introduced in 2010 to address the situation. Your new comprehensive brochure outlining the benefits for 2010 under each option as well as the contributions payable is enclosed.

We urge you to play your part in ensuring that the Wooltru Healthcare Fund remains viable into the future – please read further for details on what you can do to better manage your healthcare costs.

Regards

Zyda Rylands

Chairperson of the Wooltru Healthcare Fund

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Healthcare's challenge going forward

One of the biggest challenges facing the Trustees is to provide comprehensive benefits at an affordable contribution while maintaining a financially sustainable medical scheme. For 2009, the expectation is that the reserve levels of the Wooltru Healthcare Fund will decrease from 94% of contributions at the start of the year to 81% of contributions by year-end. This is due to an expected operating deficit (loss) amounting to 15% of contributions. In other words, the benefits members received this year were under priced by 15% overall – in total, members spent 15% more than they paid.

The annual operating loss for the Wooltru Healthcare Fund has grown from a level of below 5% of contributions in 2005 to the expected 15% for 2009. Over this period, the Wooltru Healthcare Fund reserves have fallen from a high of 103% of contributions at the beginning of 2005 to an expected 81% by the end of 2009.

What caused the deficit?

The increasing loss resulted from a number of sources:

- Historical contribution increases have been lower than those required to meet the cost of medical inflation. The Trustees have tried to keep annual contribution increases as close as possible to salary increases by using investment returns as a cushion;
- Investment returns have fallen dramatically over the above period, which has effectively removed the cushion;
- There has been a steady movement of higher-claiming members from the Extended to the Plus option as the benefits of the Plus option are cheaper and have improved over time; and
- Hospital and specialist costs have continued to escalate at an unsustainable rate.

The forecast losses are now threatening the long-term financial sustainability of the Wooltru Healthcare Fund and cannot be ignored.

To summarise, the Trustees have no alternative but to increase contributions more than they have in the past and to reduce benefits for 2010, to ensure that the Fund remains financially sound.

Package changes for 2010

The Trustees have approved the following changes for 2010, which should prove to be a significant step towards addressing the financial situation. Very briefly, the changes are:

Core (Network only)

- Contribution increase of 13%.
- No changes to benefits.

Plus

- Contribution increase of 15%.
- Removal of the GP/Specialist network and related subsidies. The Trustees had hoped that the network would contain the high increases in medical costs over the last few years, but this has not been the case.
- Hospitalisation to be paid at a maximum of National Health Reference Price List (NHRPL) rates and all non Prescribed Minimum Benefits (PMB) hospital admissions will require a R500 up-front co-payment from the member. PMB hospital admissions, if referred by the Designated Service Provider (DSP), will be paid at the agreed tariff.
- New co-payments (refer to the enclosed brochure – please make sure you read it carefully).
- Day-2-Day limits will remain the same as for 2009.

Extended

- Contribution increase of 16%.
- Hospitalisation to be paid to a maximum of 300% of NHRPL rates.
- Day-2-Day limits will remain the same as for 2009.

Despite the above changes, the Plus option will still offer benefits that are superior to those available in the open market at a similar cost. The Extended option also offers much better value to members when compared to open-market equivalents.

While the Trustees regret having to implement these changes at this time, it is absolutely necessary to ensure that the Wooltru Healthcare Fund remains financially sustainable into the future. In a recent survey, members provided an overwhelming endorsement of the Wooltru Healthcare Fund. The Trustees are grateful for this endorsement and look forward to continued support from members as they address the serious financial challenges facing the Fund in the current times.

What do you need to do?

- Read the enclosed Benefit Schedule carefully – ensure you understand the changes that have been made, especially to the Plus option.
- Decide on your option for 2010 and complete the enclosed Option Form.
- If you want to choose the Core option – call the Call Centre on **0800 765 432** to find a GP and dentist in your area.
- The closing date for returning your Option Form is **Friday 11 December 2009**.

Here's to a healthier you!