

This issue, in a nutshell:

- Contributions increase by 11.8% for majority of members, with an average overall increase of 12.8%
- Benefits increase, on average, by 5%
- High increases remain an industry trend
- Mr Colin Blanckenberg elected as the Society's new Chairman
- Positive feedback received re Clicks directmedicines appointment
- Unscheduled/after-hours non-emergency appointments result in high co-payments

Trustees approve contribution increase for 2011

There is a worldwide trend of steeply increasing healthcare costs, leading to increases in medical aid contributions and reduced benefits. Against this background, the Trustees have done their best to keep the Society's contribution increases for 2011 as low as possible while at the same time increasing most benefit limits. Importantly no benefits as such have been reduced, but the scheme rate has been reduced – see page 4 for details.

The Society faces an additional challenge in compensating for significant changes in the make up of its membership as a result of significant losses of younger, working members. Older, pensioner members dominate the Society's membership. This unfortunately leads to an increase in the claims cost, which has a direct relationship with contribution increases.

The Society is a not-for-profit organisation and aims to balance its claims and administration costs against contribution and investment income combined. Investment income is used to ensure that there is no deficit on an annual basis. With the declining interest rates, additional income is therefore required in the form of higher contribution rates. The Trustees have access to a very powerful actuarial model to calculate the

Society's budget, taking into account many factors, including but not limited to the member age profile, claiming patterns and investment income. Claims are expected to increase by nearly 14% in 2011, in the face of low investment returns, making it very difficult to "balance the books". For the new benefit year starting 1 January 2011, the Trustees have therefore approved an average contribution increase of 12.8% in order to achieve the Society's breakeven objective. The contributions of members in income bands E, F and G (4 745 principal members) will increase by 11.8%, while those for bands A - D (1 438 principal members) will increase by 17.8%.

This higher percentage increase for the lower income bands is as a result of the Trustees approving the removal of a further contribution band. This is in line with the strategy of eventually achieving a single, more equitable contribution for all members regardless of income and aligned to industry practice. This higher increase mostly affects some pensioner members earning a pension below R5 000, the vast majority of whom enjoy a contribution subsidy of 86% from De Beers. The subsidy will reduce the financial impact on such pensioners significantly (R35.84 per month increase for the member from 2010 to 2011).

Turn the page to read more about the state of the healthcare industry, and general cost increase trends. On the back page there are more details regarding your new contributions and benefit limits. You can also find more information on your 2011 benefits in the Member Guide for 2011, inserted with this newsletter.



Contribution increases: an upward trend that is shaking the healthcare industry

Members may well perceive the contribution increases for next year to be rather high, compared to inflation and salary increases. Why are these increases so high, and what should we expect into the future?

Basically, the Trustees have to consider various factors when deciding on increases of member contributions each year. The table below explores these factors.

<p>By how much will healthcare providers such as hospitals, doctors, specialists and pharmacies increase their fees?</p>	<p>According to the Council for Medical Schemes, the main contributors to increases in claim costs are still hospitals and specialists. While the Society has come to a special arrangement with network hospitals, it is still very challenging to manage these cost increases.</p> <p>Some medical schemes counteract these cost increases – and seem to keep contribution increases reasonably low – by reducing benefits. This has not been the case with the Society to date, but the Trustees may well have to review the Society’s benefit structure, which is very generous by industry standards, in order to manage contribution increases going forward.</p>
<p>What will the membership profile look like in the following year? Will there be fewer members with a higher average age due to company restructuring? How will that affect claims?</p>	<p>The Society has had to cope with a dramatic reduction in membership due to Company restructuring, as well as an associated increase in average membership age as a result of the loss of younger working members.</p> <p>This has all increased our costs per member, to the extent that we have had to justify our increase to the satisfaction of the Council for Medical Schemes. (The Council has instructed medical schemes to justify any contribution increases that are above CPI plus three percentage points.)</p>
<p>How will the increase impact on members, and especially pensioners?</p>	<p>In some cases the Company subsidy towards medical scheme contributions goes some way towards reducing the impact of higher-than-inflation increases in member contributions.</p> <p>Our pensioners are in the fortunate position that, in the majority of cases, 86% of their contributions are still being subsidised by the Company, reducing the knock-on effect of these increases. This contrasts strongly with Sanlam’s recent Employee Benefits Benchmark Survey on retirement, which found that many pensioners could no longer afford the medical scheme benefits they needed.</p>
<p>What will the expected usage of newer, more expensive medical technology be?</p>	<p>Although new technology often brings with it the potential for cure where there was none before, these new technologies usually come with an expensive price tag. The Society has to balance the potential of these technologies with the cost impact on members.</p>
<p>How financially sustainable is the scheme? What must be spent on administration and brokerage fees and marketing?</p>	<p>A significant advantage to belonging to an in-house, not-for-profit medical Scheme such as the Benefit Society, is that a far smaller proportion of member contributions (7.5% in the case of the DBBS) is spent on administration costs and no brokerage fees are payable. In the case of the larger open schemes as much as 17.3% of member contributions are spent on net non-healthcare expenses, which include expenses such as marketing (Source: Council for Medical Schemes annual report - 2008/9).</p>



For insightful reports on the healthcare industry, increases and issues that may affect members, you may wish to read *Personal Finance*. To find these reports online, visit <http://www.persfin.co.za> and click on Healthcare Finance.

Avoid large co-payments for after-hours/unscheduled doctors' consultations

Please note that any after-hours and any unscheduled doctors consultation (*that is not an emergency*) will only qualify for a benefit at the normal doctor's consultation RPL rates (i.e.: the Society's Reference Price List rates) and any additional charges will be recovered from the member. For example, if you voluntarily choose to visit the doctor after hours, you will pay the difference between the normal RPL consultation rate and the after-hour consultation fee. Remember to check with the receptionist when an "after-hours or unscheduled visit" fee will be charged.

Most doctors (including facilities such as Medi-Cross) charge an after-hours consultation fee for consultations conducted after 17h00 and on week-ends. Also note that, if you phone your doctor during normal working hours and he/she fits you in on that specific day without an official pre-booked appointment, you will be charged for an unscheduled consultation. The normal RPL consultation rate for 2010 is R228.00, while the RPL rate charged for an after-hours or unscheduled consultation is an additional R121.60 or R212.77 over and above the normal consultation fee. You will therefore be liable for the standard 10% co-payment of the normal consultation fee plus the after-hours amount charged by the doctor.

New Chairman at the helm of the Society



Following the resignation of Mr Stephen Dietrich as a trustee and chairman of the De Beers Benefit Society Board of Trustees, Mr Colin Blanckenberg was nominated by the Employer to replace Mr Dietrich as a company-appointed

trustee. He was subsequently elected by the Trustees as their new chairman for the term ending 2013. Colin is a lawyer by training and was a partner at Duncan and Rothman in Kimberley prior to joining De Beers as Group Manager Legal Services during 2002. He retired in January 2010 and is currently working as a Legal Consultant with De Beers Corporate Legal Services in Johannesburg. Please join us in welcoming Colin and wishing him all of the best for this important role!

Appointment of Clicks directmedicines: positive feedback streams in

The Society received numerous emails and letters from members on the chronic medication programme, voicing their satisfaction that the contract with Chronicare had been terminated and that a new, reputable service provider has been appointed. Please keep the feedback coming – we would like to know how members experience the new service.



Clicks directmedicines (CDM) Chronic medication users: avoid getting your medication late

The Society has received a few complaints regarding late delivery by CDM from members on the chronic medication programme. On closer inspection, this was usually as a result of members ordering acute medication from CDM, to be delivered together with their usual chronic medication. CDM will supply long-term, regularly utilised acute medication at reduced dispensing fees, but members should note that if such acute medicine is not in stock, CDM would have to delay delivery of all the medication (including the chronic) until it receives stock of the acute medication.

The Society would therefore like to urge members to use the services of CDM only for their primary responsibility, namely to deliver chronic medication.



Changes for the new benefit year

Benefits and contributions are two components of the Benefit Society that affect you as a member. This page highlights the major changes for next year.

Benefits 2011

Please refer to the enclosed Member Guide or visit www.dbbs.co.za for specific information on benefits, their respective limits and applicable co-payments.

Scheme rate amended

All benefits are calculated according to the Society's Reference Price List (RPL), except where preferred provider arrangements have been concluded.

All pre-authorised admissions and the associated hospital costs in a preferred provider network will be paid at 100% with no co-payment. Any other admissions will have the benefits calculated according to the Society's RPL.

The Scheme Rate for Professional Fees in hospital means the rate charged by treating doctors and practitioners for services provided to a member - in a preferred provider network hospital only, following a pre-authorised admission - which may be higher than the Society's RPL, but which does not exceed 200% of the Society's RPL. Members will be liable for any amount by which the fees exceed 200% of the RPL.

Where a non-network hospital is used voluntarily, the RPL rate will apply and co-payments will apply.

The benefit limits for 2011 have been increased, on average, by 5%. The table below shows the major benefits for 2011 and are all set as per beneficiary (PB):

SERVICE	2010 BENEFIT	2011 BENEFIT
HOSPITALISATION		
Internal prosthesis	R30 000	R31 500
DENTISTRY		
Specialised dentistry	R5 700 PB	R5 990 PB
Orthodontic treatment	R14 040 PB per lifetime	R14 750 PB per lifetime
MEDICINES		
Acute medication	R2 780 PB	R2 920 PB
Chronic medication	R25 650 PB	R25 880 PB
DIAGNOSTIC TESTING		
MRI/CAT scans	No limit 100% of RPL Pre-authorisation required	Limited to 3 scans per beneficiary per annum 100% of RPL Pre-authorisation required
PHYSIOTHERAPY		
Out of hospital	R5 700 PB	R5 990 PB
AUXILIARY HEALTH SERVICES		
Audiology, chiropody, podiatry, dietician services	R1 240 PB	R1 300 PB
Occupational and speech therapy	R1 810 PB	R1 900 PB
MEDICAL EQUIPMENT		
External appliances	R4 550 PB	R4 780 PB
Colostomy bags and catheters	R12 180 PB	R12 780 PB
Continuous Oxygen Supply Machine and/or Oxygen	R11 120 PB	R11 680 PB
External prosthesis	R30 000 PB	R31 500 PB
Hearing aids	R11 120 PB / 5 years	R11 680 PB / 5 years
Wheelchair	R12 000 PB / 5 years	R12 600 PB / 5 years
CARE NOT IN HOSPITAL		
Mental health	R8 050 PB	R8 450 PB
ONCOLOGY		
In and out of Hospital	Max R160 000 PB	Max R168 000 PB

Society's contact details

E-mail:

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Website: www.dbbs.co.za

(where you can also check your personal details and benefits)

Phone: 053 - 807 3400

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Post:

PO Box 1922, Kimberley, 8300

Contributions 2011 - how much will you pay next year?

The table below shows the monthly contributions effective from 1 January 2011.

Income	Category	Adult	Child Dependant
< R7000	A-E	R 1694	R 460
R7001-R9000	F	R 1780	R 482
R9001+	G	R 1865	R 503