

9 JULY 2005

Dear Member

PICK 'n PAY MEDICAL SCHEME PREFERRED PROVIDER NETWORK (PPN) HOSPITALS

Hospitalisation expenditure has been one of the main cost drivers for our medical scheme. During 2004, hospital costs and utilisation on Pick 'n Pay Medical Scheme increased by 17%. In an effort to address this ever-increasing cost, the Board of Trustees thought it wise to implement strategies to manage hospital expenditure without compromising on care and service to you.

Pick 'n Pay Medical Scheme has identified a group of hospitals as being highly cost-effective, whilst at the same time providing excellent service and care to members. These hospitals will be termed the Preferred Provider Network (PPN) hospitals. Members should note that the arrangement with the Preferred Provider Network hospitals will be effective mid-August 2005.

What this means to you:

- You must still contact the Scheme on the toll-free line 0800 118884, 48 hours prior to being admitted to hospital for any planned procedure, as well as MRI/CT scans. In the event of emergencies, you must obtain pre-authorisation on the next working day or within 48 hours following an emergency procedure.
- When your doctor refers you to a specialist for further treatment, which may result in admission to hospital, it is *your* responsibility to ensure that your doctor refers you to a specialist who practices at one of the PPN hospitals contracted by the Scheme. Please refer to the attached list of PPN hospitals.
- When contacting the Scheme to obtain pre-authorisation for admissions to hospital, qualified case managers will also assist you in providing information on doctors/specialists who are contracted to the PPN hospitals.
- In the event that you consult a doctor/specialist who admits you to a hospital, which falls *outside* the PPN hospitals contracted by the Scheme, you will be required to pay a penalty of R1 000 per hospital admission directly to the hospital.
- Should you be admitted to a non-PPN hospital in the event of an emergency, the co-payment will be waived.
- In the event of admission to a non-PPN hospital for a justifiable reason (as determined by the Scheme), the co-payment may also be waived.
- In areas where no PPN hospital is available, admission to the hospital nearest to the residence of the patient will be considered upon contacting the Scheme for pre-authorisation.

We have attached a list of frequently asked questions for your convenience.

Should you have any further queries in this regard, please do not hesitate to call our Client Services Department on 0800 004 389, (021) 860 8677 or (021) 480 4801.

Yours faithfully

MR GT JONES
PRINCIPAL OFFICER