



Discovery Health presentation to DHMS 2013 AGM

Dr Jonathan Broomberg, CEO, Discovery Health



DHMS – 2012 Key facts and figures



2 469 023 lives covered by DHMS
(2011: **2 354 351**)

6% average increase in principal members
(2011: **6%**)

4.1% scheme lapse rate
(2011: **4.3%**)

R8.2 billion in reserves
(2011: **R7.4 billion**)

R789 million net surplus
(2011: **R570 million**)

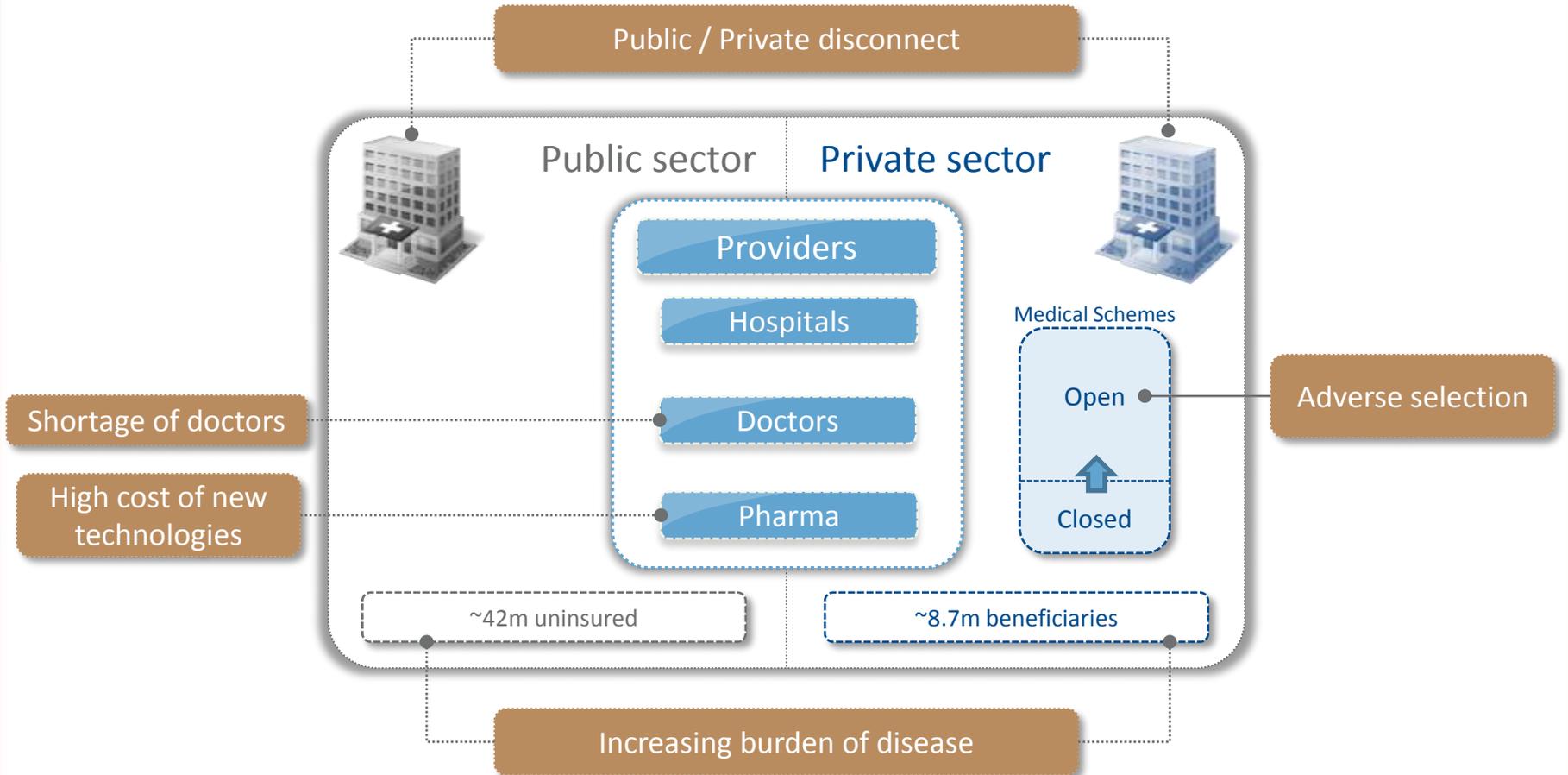
96.9% in-hospital cover ratio
(2011: **97.1%**)

AA+ credit rating
(2011: **AA+**)

51% share of open medical scheme market
(2011: **49%**)

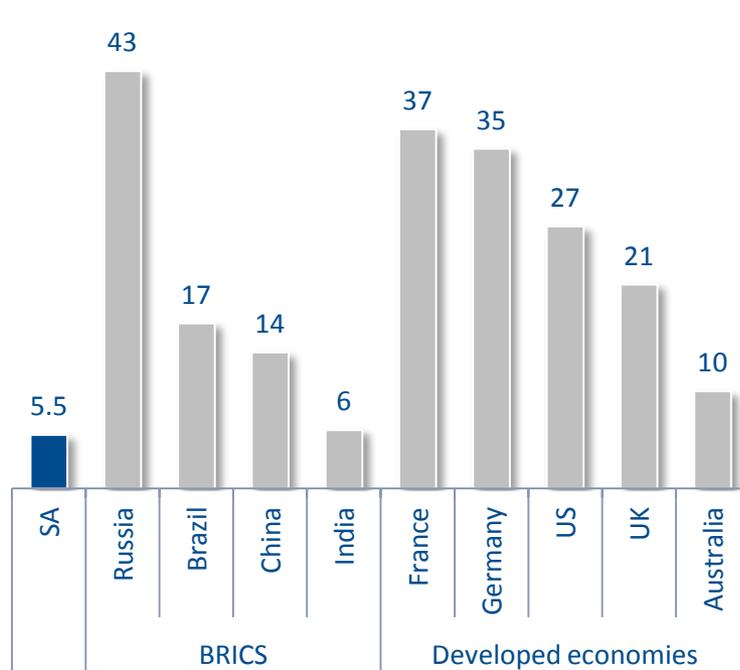
-  **Key trends in the South African private healthcare industry**
-  Discovery Health's vision
-  Discovery Health's vision for DHMS

Key trends in South African healthcare

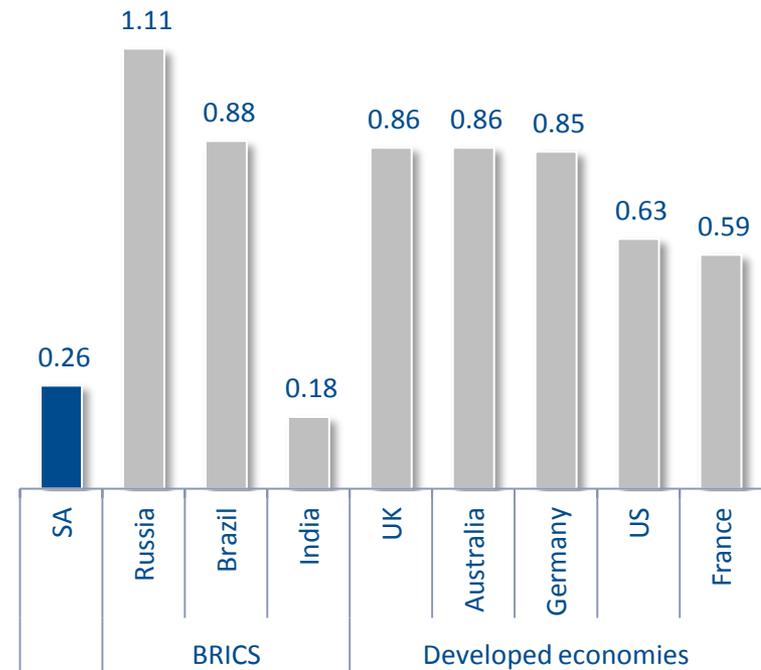


A shortage of doctors in the system

Doctors per 10,000 lives



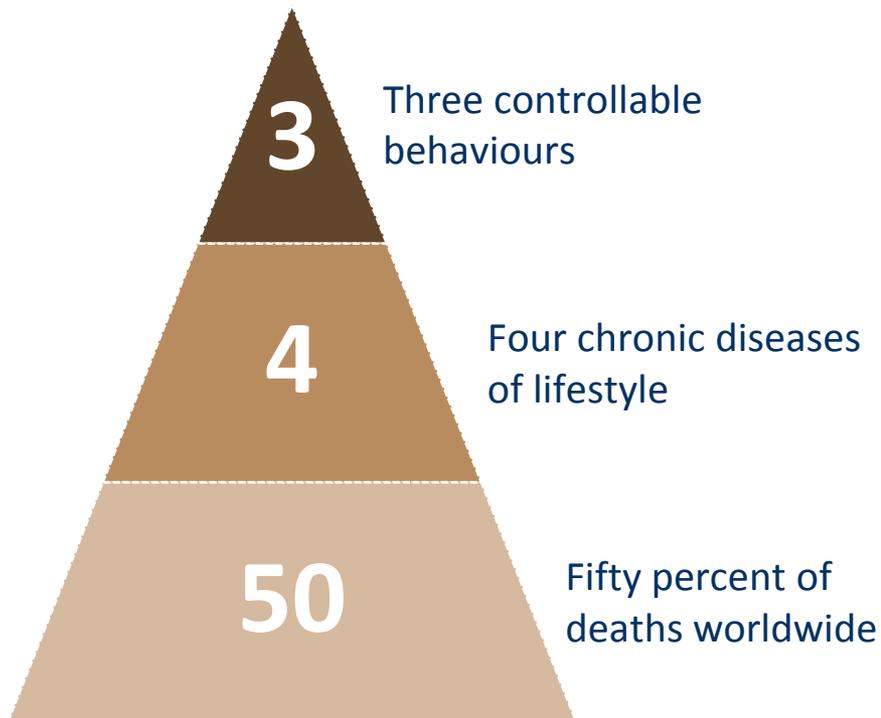
Medical graduates per 10,000 lives per annum



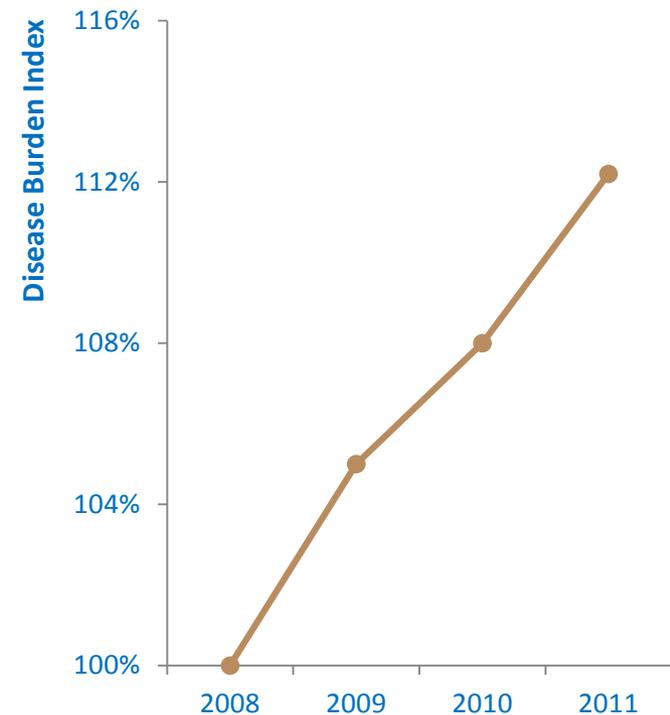
Source: World Health Statistics 2011

Average age of specialists in South Africa = 55 years

Epidemic of lifestyle diseases

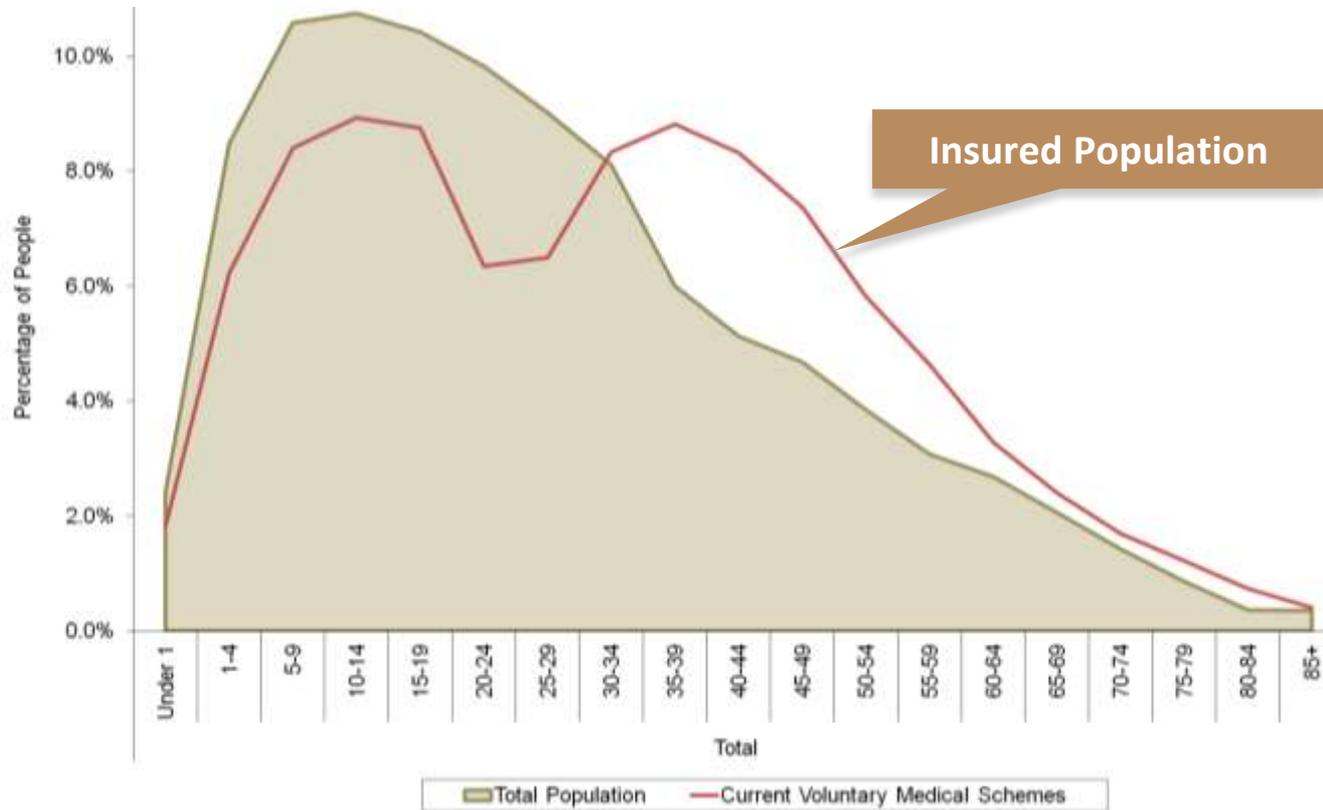


Increasing disease burden in medical schemes



Source: DHMS data, indexed to 2008

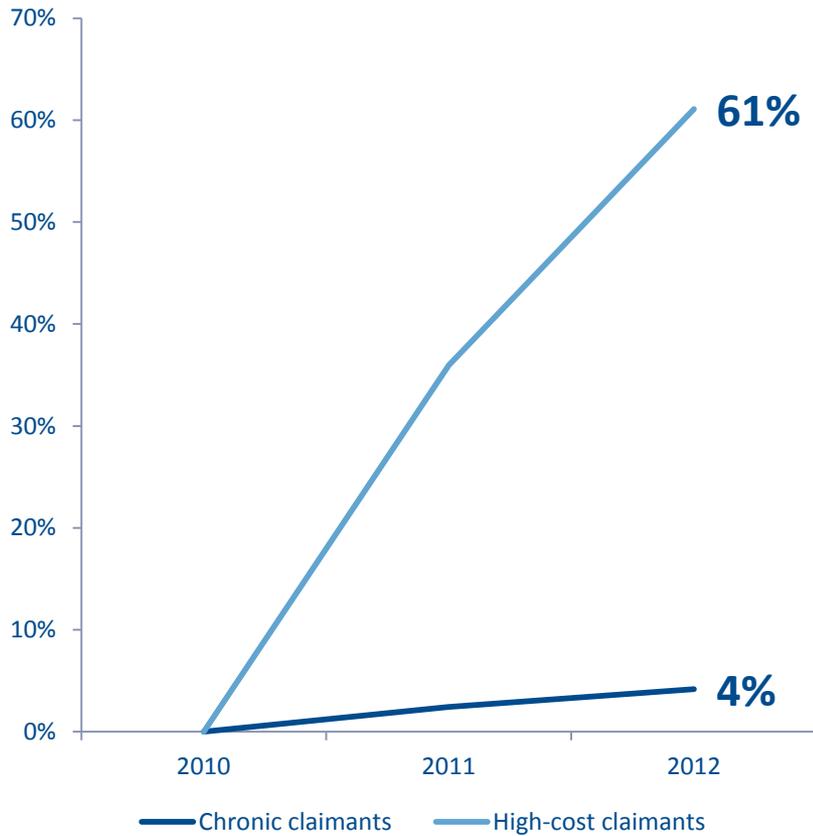
Young and healthy lives drop out of schemes



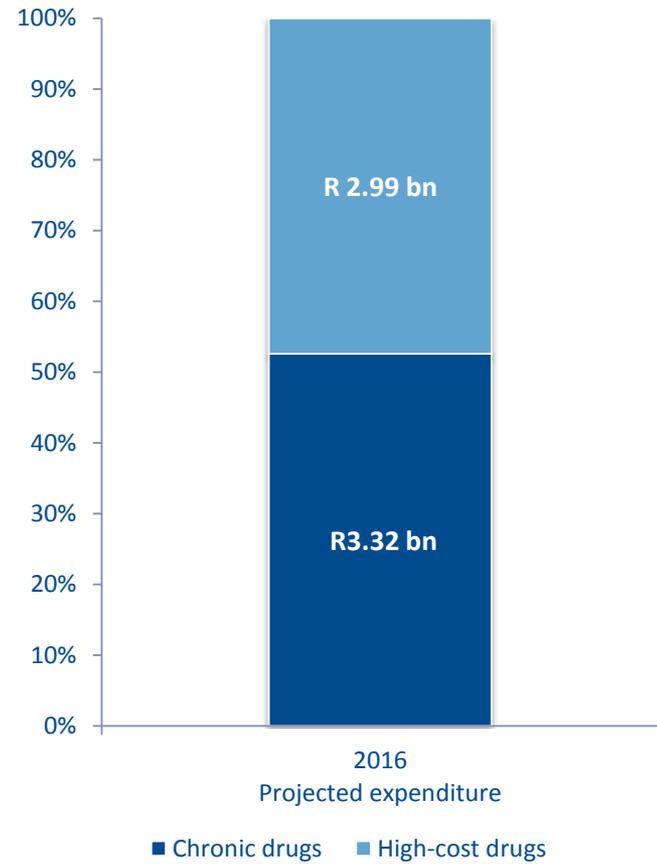
Impact of adverse selection: R13.5bn – ~23% of total contributions for open medical schemes

High cost of new technologies

Growth in claimants for high-cost drugs exceeds growth in chronic claimants

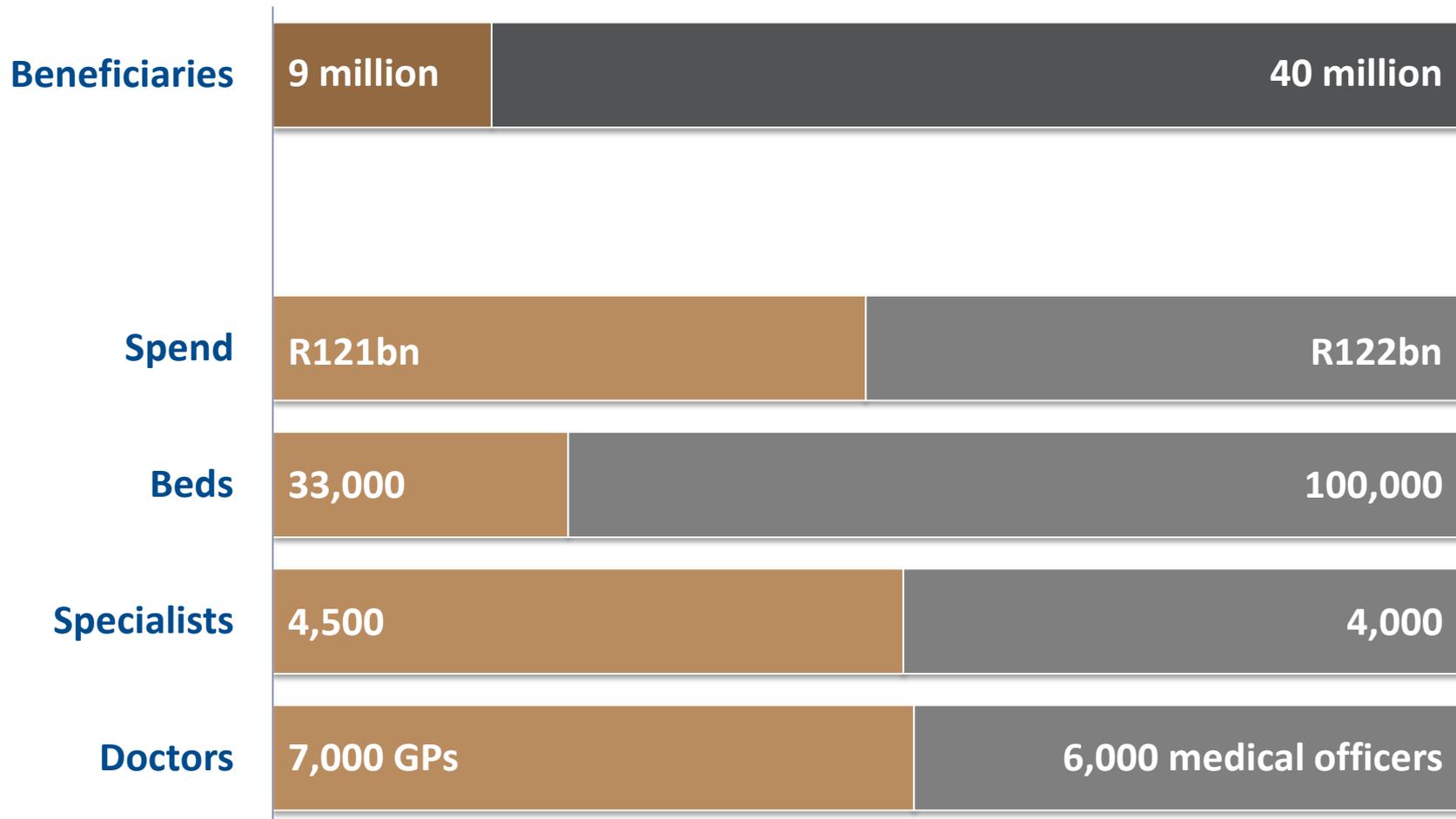


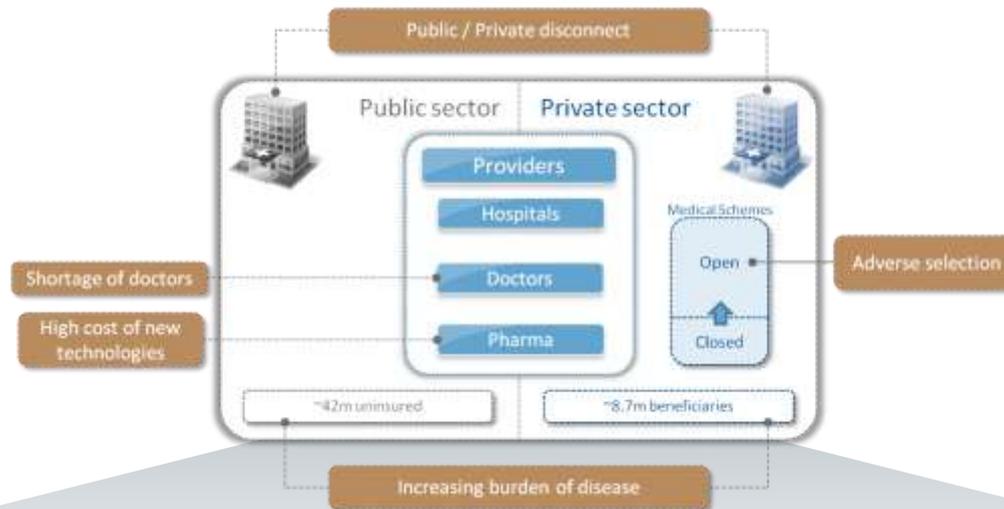
Increases proportional expenditure on high-cost drugs



Imbalance of resources between the public and private sectors

■ *Private* ■ *Public*





High and rising healthcare inflation



Inconsistent quality of care



Complexity and fragmentation of healthcare

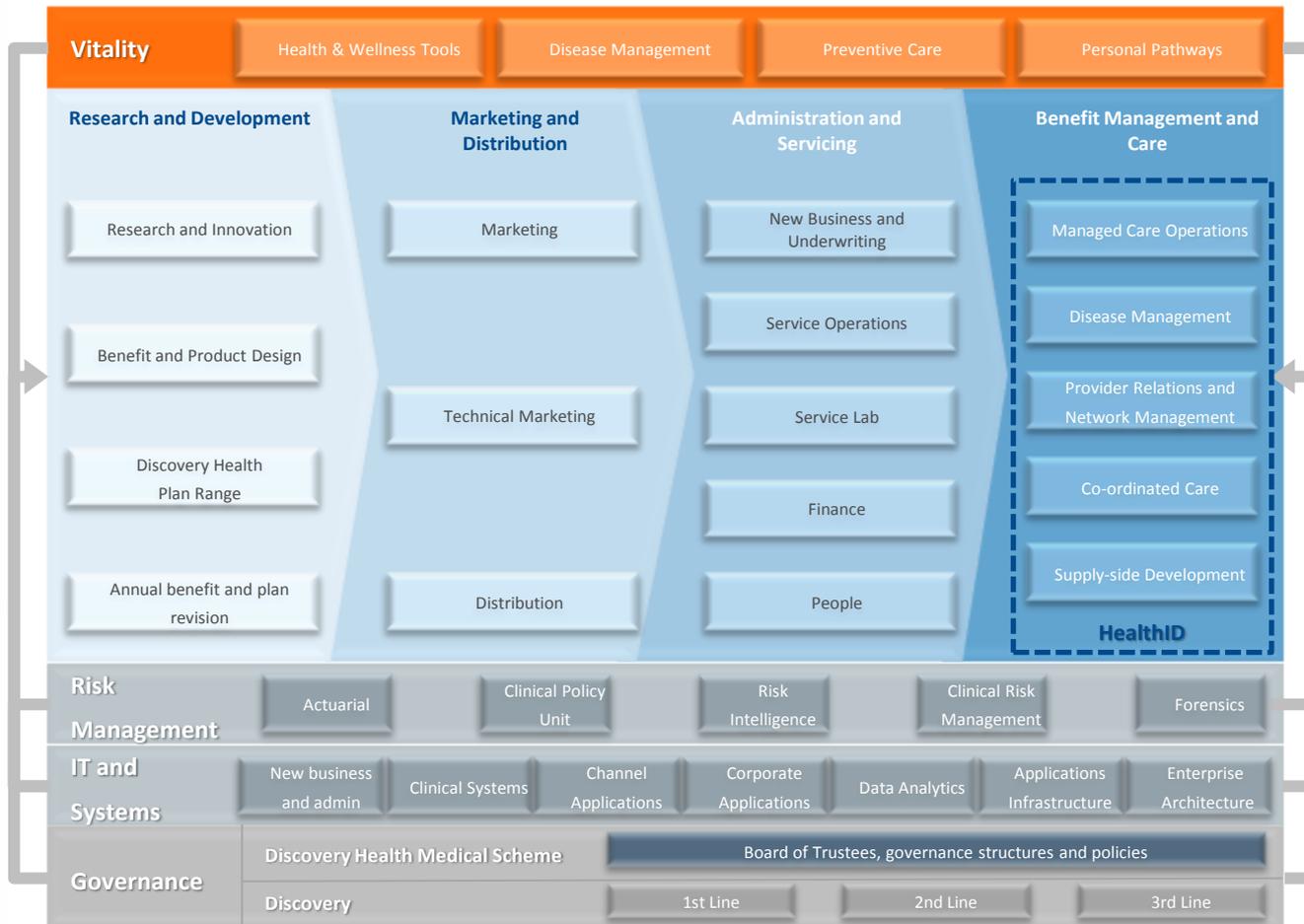
-  Key trends in the South African private healthcare industry
-  **Discovery Health's vision**
-  Discovery Health's vision for DHMS



An organisation that **makes people healthier,**
offers them the **broadest and best benefit choices**
at the **lowest cost per unit of benefit,**
inside a healthcare system that is
seamless, accessible and brilliantly serviced
within a **broader sustainable** healthcare system
for **all South Africans.**



The Discovery Health Integrated Business Model



Human Capital

- **42** actuaries
- **170** health professionals
- **290** analysts and statisticians
- **3,800** staff in 88 teams across 8 sites
- **4,000** brokers

Infrastructural investment

- **>340** tech professionals
- **>R300m** in annual **technology infrastructure** investment and systems development

-  Key trends in the South African private healthcare industry
-  Discovery Health's vision
-  **Discovery Health's vision for DHMS**

-  **Strongest financial performance and sustainability**
-  High growth rates coupled with low lapse rates
-  Healthier insured population on a risk adjusted basis
-  Richest benefits for members across the widest spectrum of plan choices
-  Lowest costs and best value in the industry
-  Seamless access to the healthcare system underpinned by best in class service
-  Help build a better national healthcare system for all

Substantial reserves

R8.2bn

Manageable solvency

23.41%

(29.18% excluding MSA)

Highest credit rating



DHMS strengthened its market position further to an unrivalled 51% membership share of the open medical scheme industry. This .. underpins the long term sustainability of the Scheme, and provides substantial leverage for negotiations with healthcare providers. In turn, this enhances the scheme's financial flexibility and allows for relative pricing stability

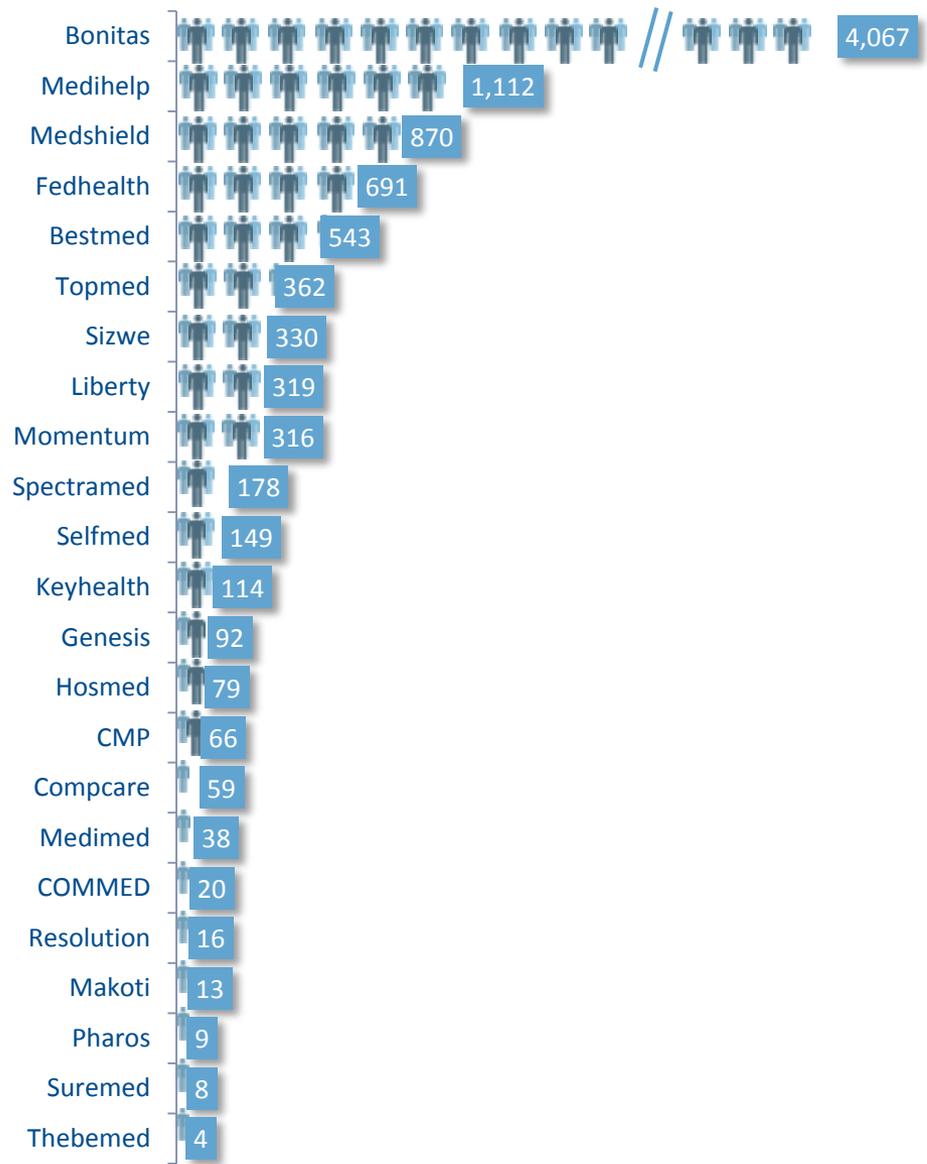


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DHMS has the highest levels of financial security in the industry



Number of DHMS top-claiming families required to deplete competitor reserves

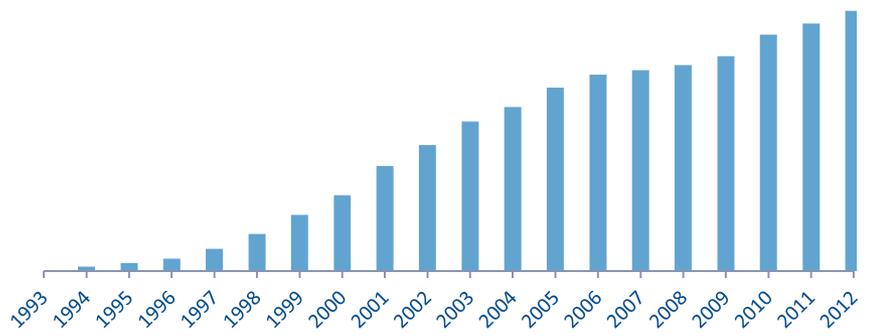


Top claiming families:
Total 2012 risk spend per policy,
ranked by spend

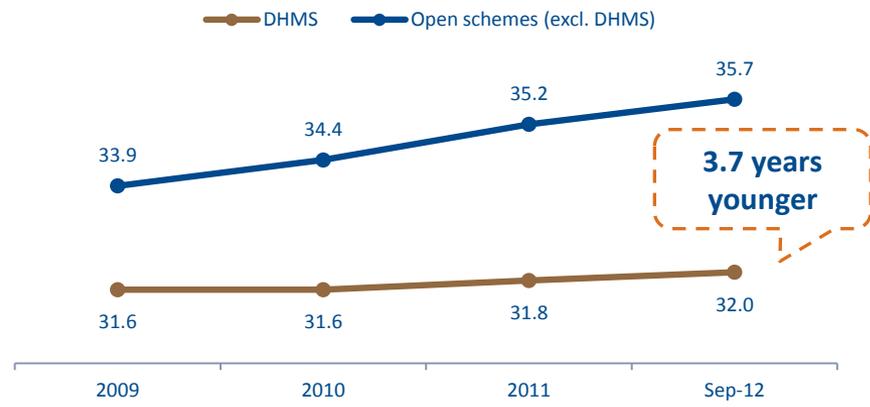
1 Long term lead indicators of sustainability

Exceptional growth

Over 2.5 million lives covered

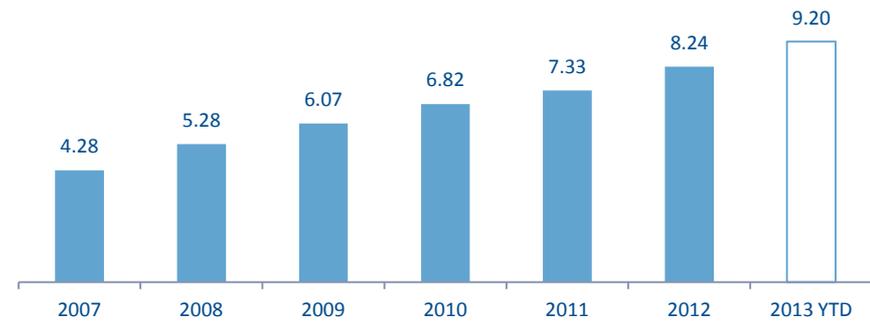


Stable demographics



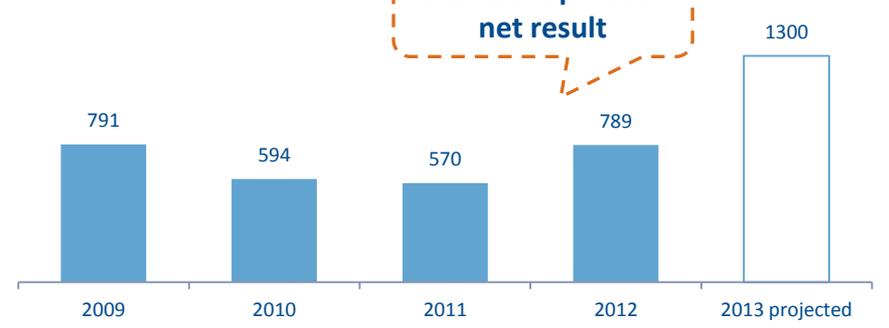
Increasing reserves

R1bn added in 2013 to date



Sustained surplus

Sustained positive net result



- 

Strongest financial performance and sustainability
- 

High growth rates coupled with low lapse rates
- 

Healthier insured population on a risk adjusted basis
- 

Richest benefits for members across the widest spectrum of plan choices
- 

Lowest costs and best value in the industry
- 

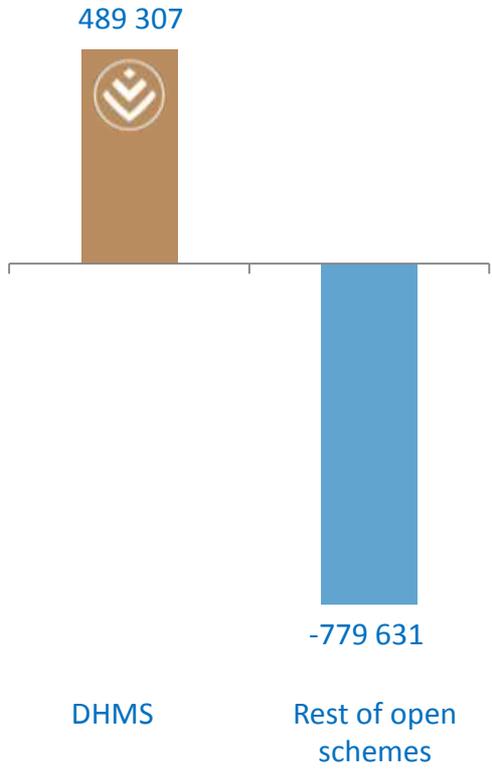
Seamless access to the healthcare system underpinned by best in class service
- 

Help build a better national healthcare system for all

High growth rates coupled with low lapse rates

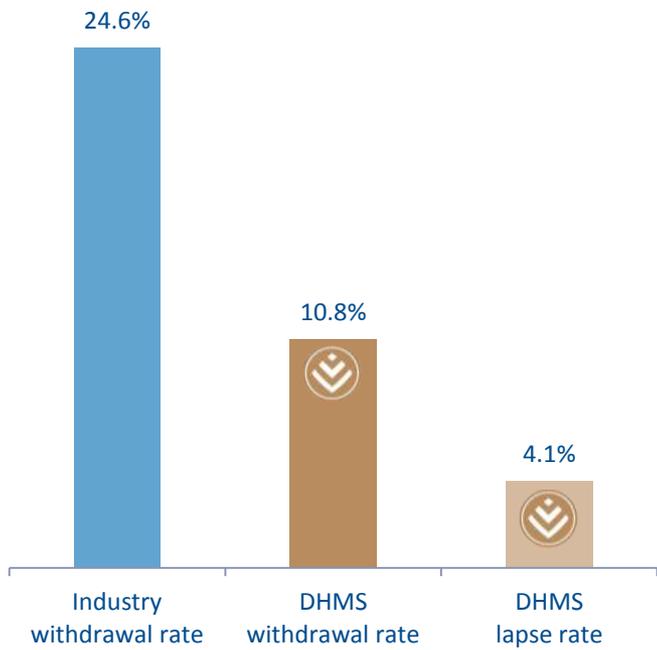


Net growth in lives
(31 Dec 2006 – 31 Dec 2011)



Exceptional member growth

Low withdrawals and lapses



Strong member retention

Source: CMS Annual Report, *New members obtained through amalgamations were excluded.

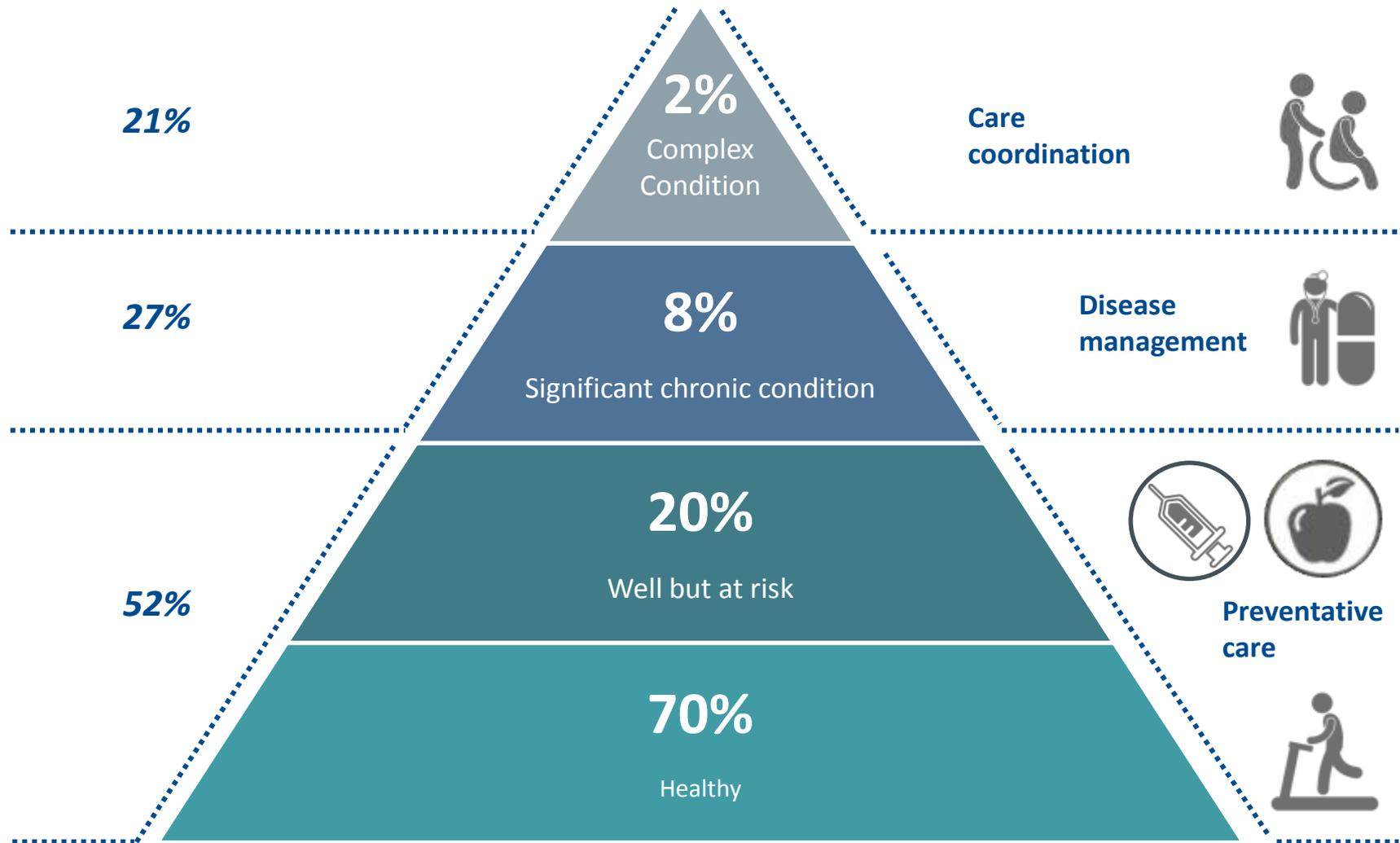
Source: CMS Annual Report, * Withdrawals = New members + Mergers – Net growth

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% Spend

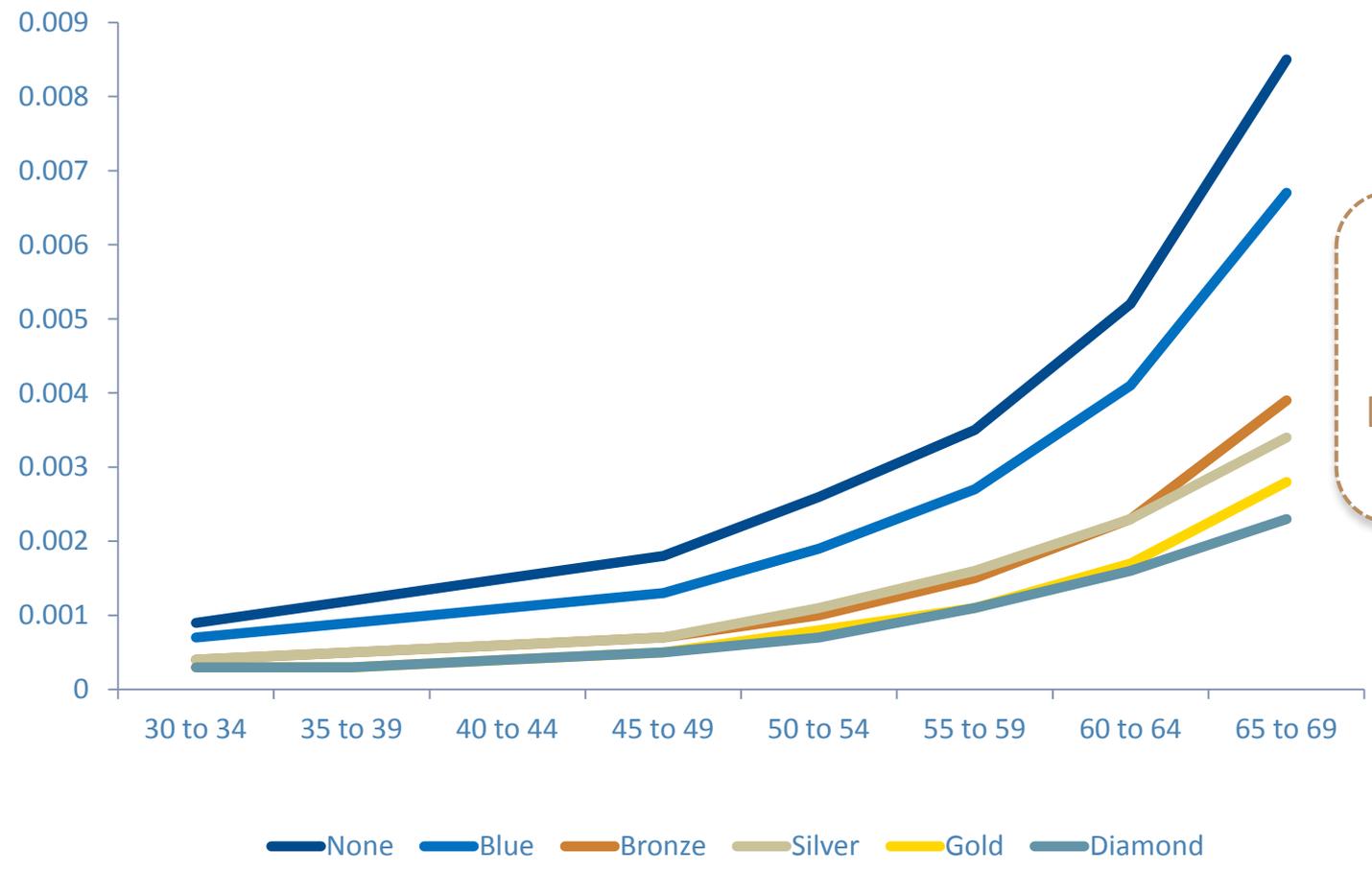
Segmentation



Strong and growing evidence that Vitality makes people healthier



Mortality curves by Vitality status: Standard lives



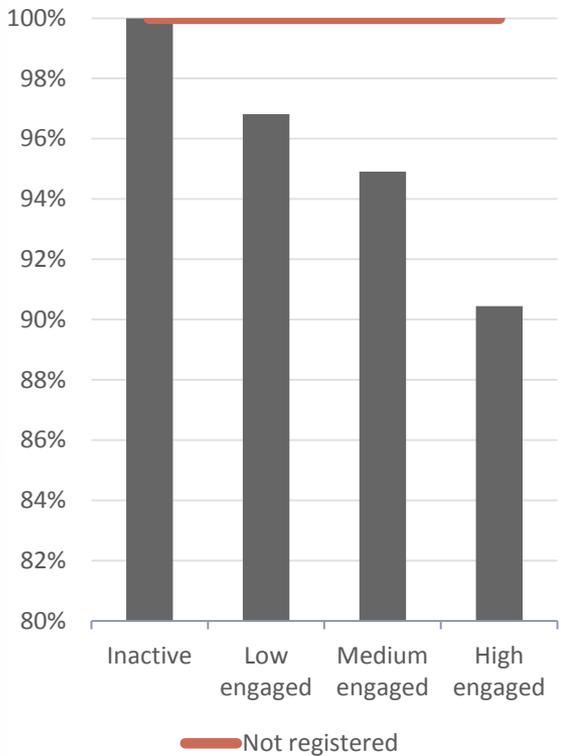
8 year difference in life expectancy

Engaged members experienced lower costs per patient, shorter stays in hospital, and fewer admissions compared to all other groups

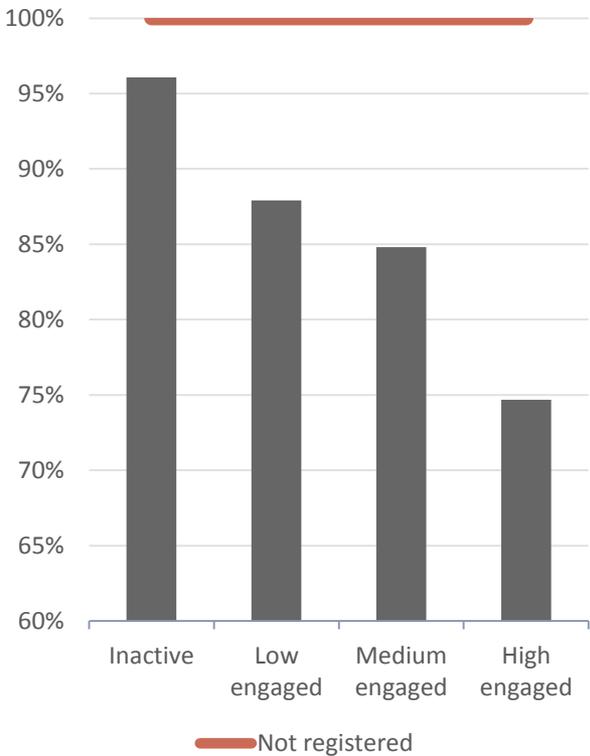


Impact of fitness engagement on hospital admissions and costs

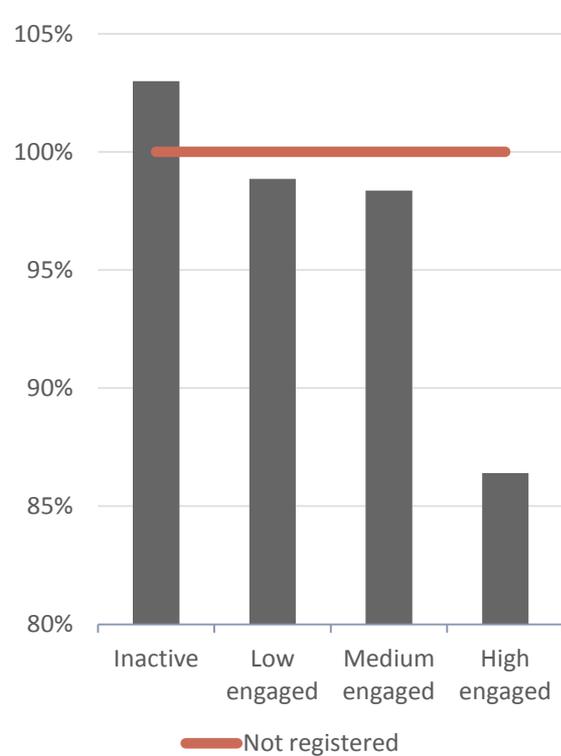
Admit rate (number of admissions)*



Length of stay in hospital (days)

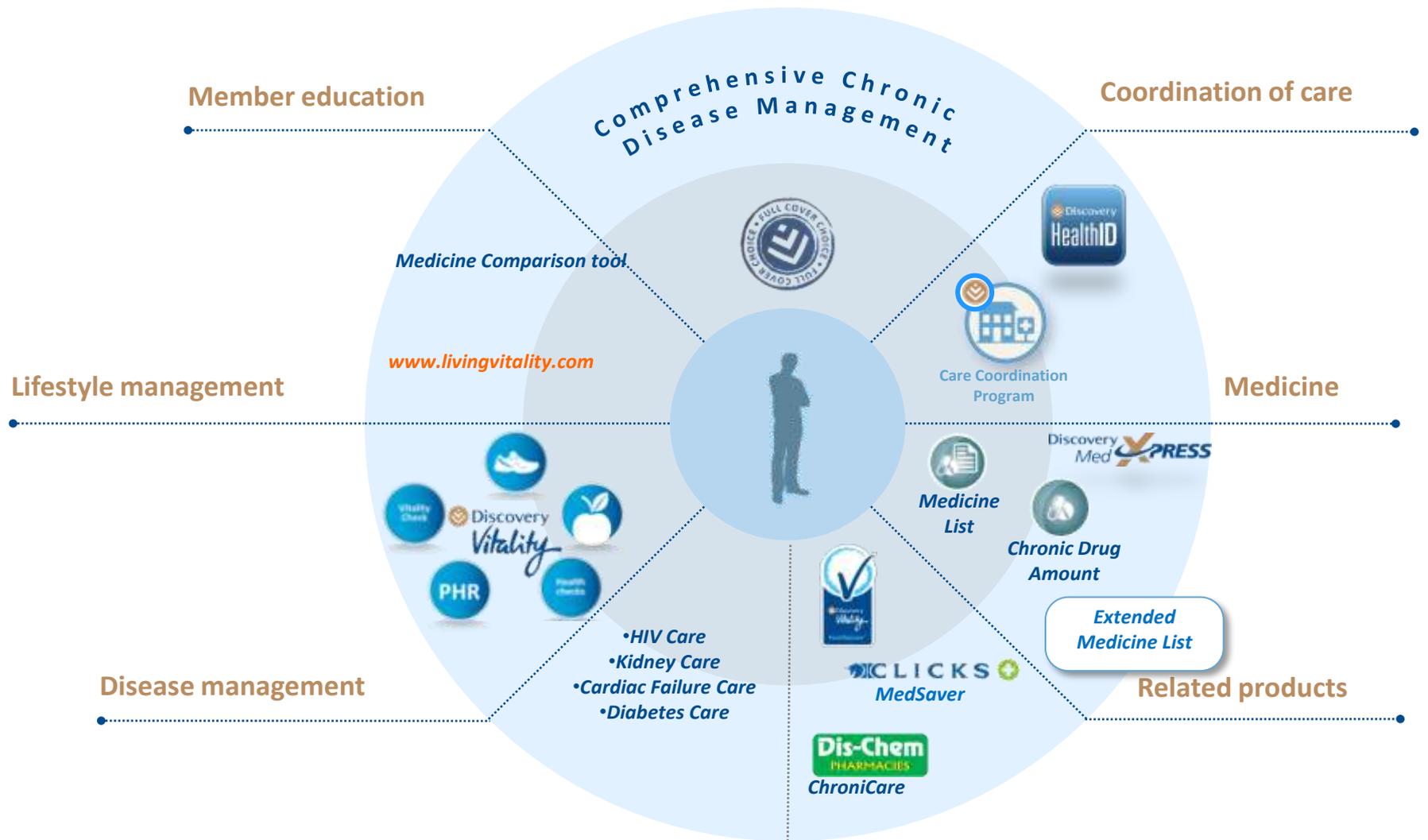


Cost per patient



*Patients with at least one admission event

Discovery Health's holistic approach to chronic disease management



Using the latest technology to improve quality of clinical care

Simple interface with a smartphone



Triggers alerts to your doctor



Improved outcomes and savings

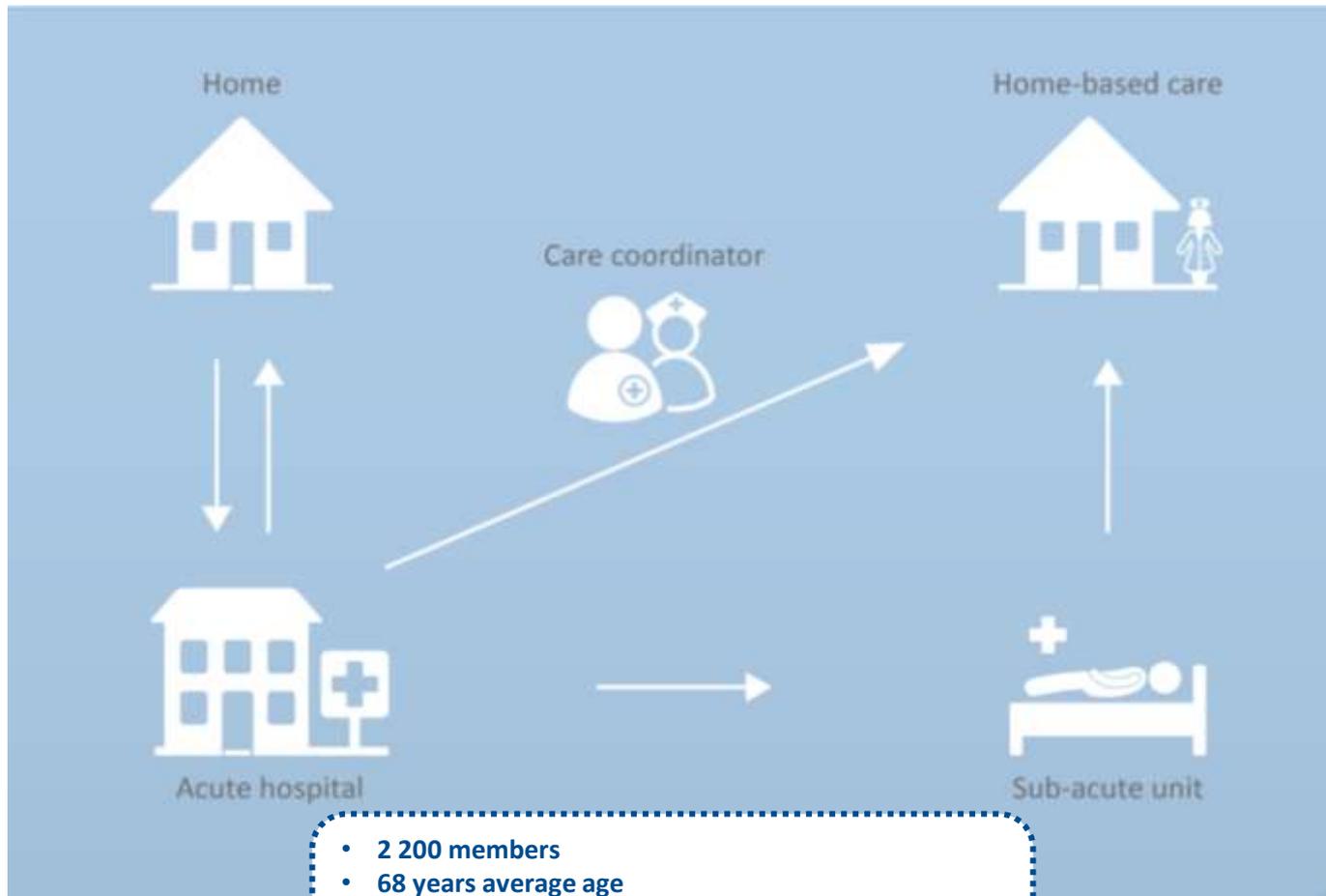
R293m

- Glucose meter connects directly to phone
- Readings are transmitted to a web URL

- Data is accessible for both patients and doctors
- Doctor is alerted automatically if readings are out of range

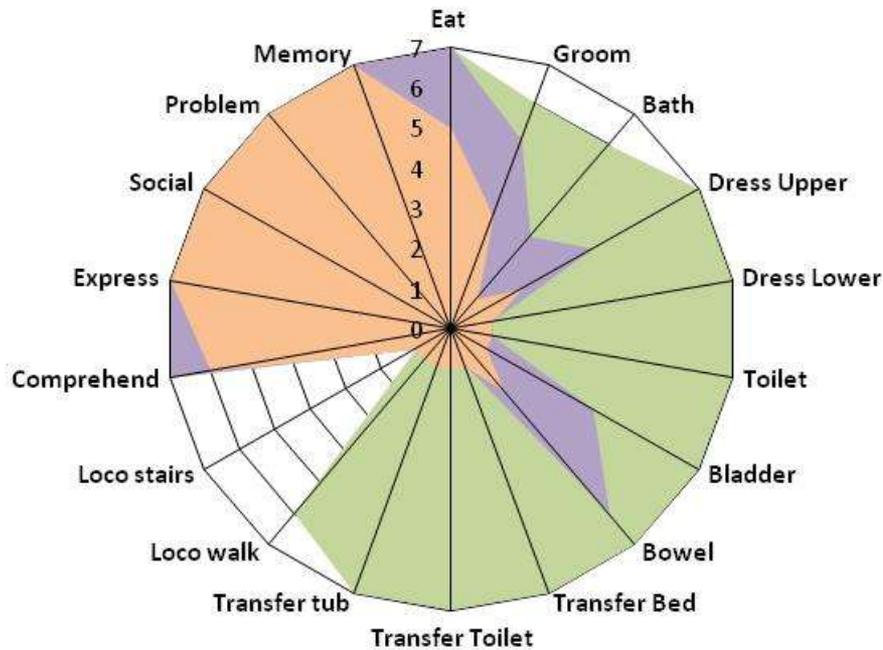
- Approximately 55,000 diabetics on the scheme
- Total cost of R293million per annum

Voluntary programme designed to coordinate the **long-term care** for the **sickest** Discovery Health members



- 2 200 members
- 68 years average age
- 13 facilities
- 3 home nursing companies
- R30 000 saving per member p.a.

Patient Progress



April :
Discharge from
Acute Hospital

Sept:
Discharge from
sub-acute

Dec
Post-discharge
follow-up at
home

Outcome



- HbA1c = 7.4 (acceptable)
- Lost 25 kg
- Mobile
- Became a diabetic educator

** I am sure I would have been readmitted to hospital, because of wound infection*

- My Sugar is now the best controlled ever.
- I now understand the importance of exercise.

The impact of Discovery Health's initiatives for various member segments results in measurable savings for DHMS



Initiatives

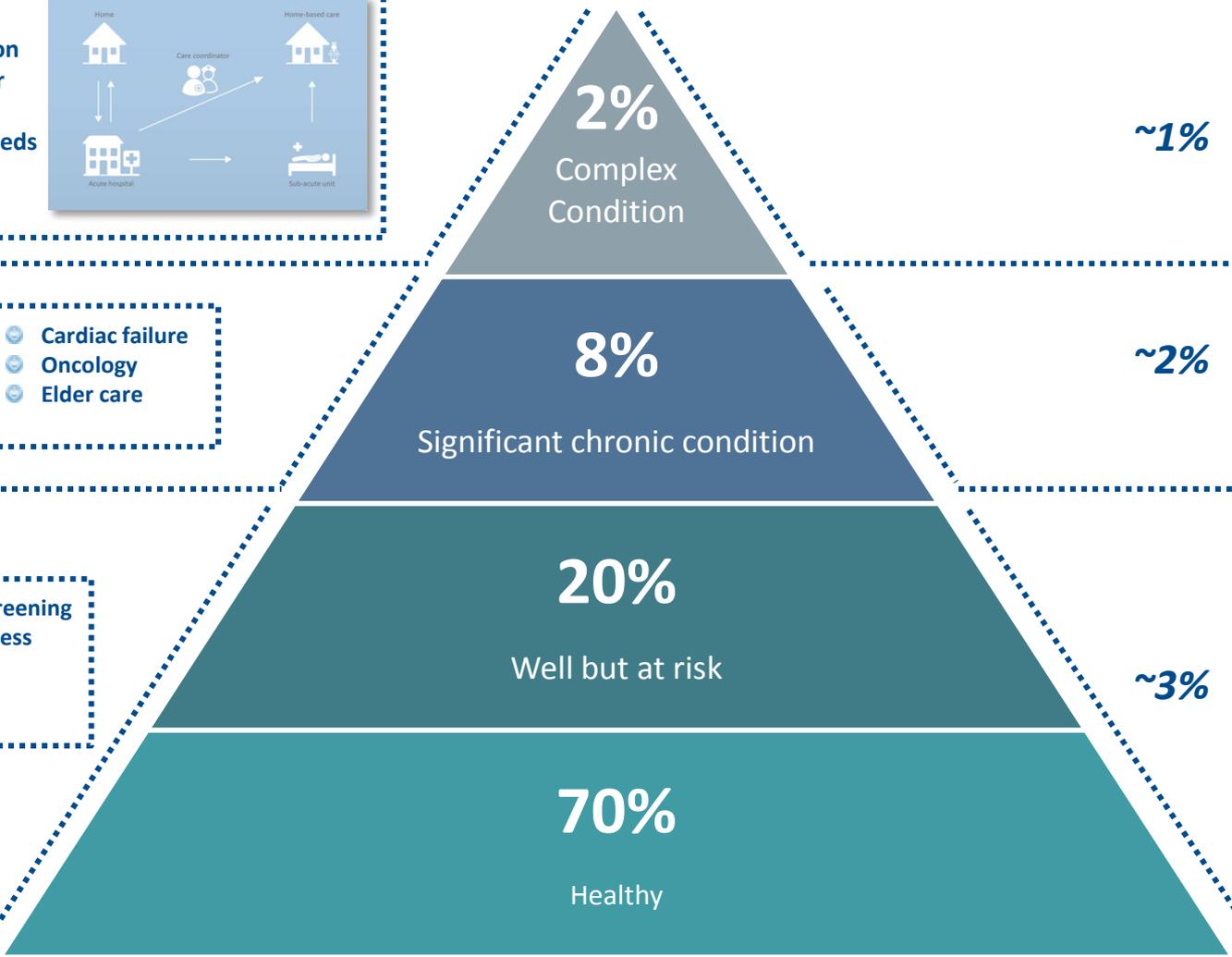
Reduction in total claims

Care coordination programme for members with highest clinical needs

- HIV
- Renal failure
- Diabetes
- Cardiac failure
- Oncology
- Elder care

- Preventative Screening
- Corporate wellness

Vitality



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Wide choice of plans to suit varying medical and financial needs



Executive 1



Comprehensive



Classic Priority 1
Essential Priority 2

- 1 Classic Comprehensive
- 2 Classic Delta Comprehensive
- 3 Essential Comprehensive
- 4 Essential Delta Comprehensive
- 5 Classic Comprehensive Zero MSA

Priority

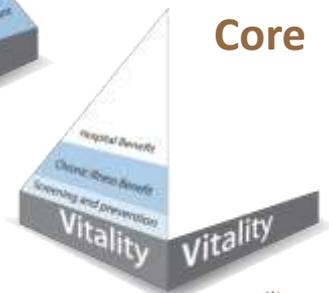


Saver

- 1 Classic Saver
- 2 Classic Delta Saver
- 3 Essential Saver
- 4 Essential Delta Saver
- 5 Coastal Saver

- 1 Classic Core
- 2 Classic Delta Core
- 3 Essential Core
- 4 Essential Delta Core
- 5 Coastal Core

Core



- KeyCare Plus 1
- KeyCare Core 2
- KeyCare Access 3



KeyCare

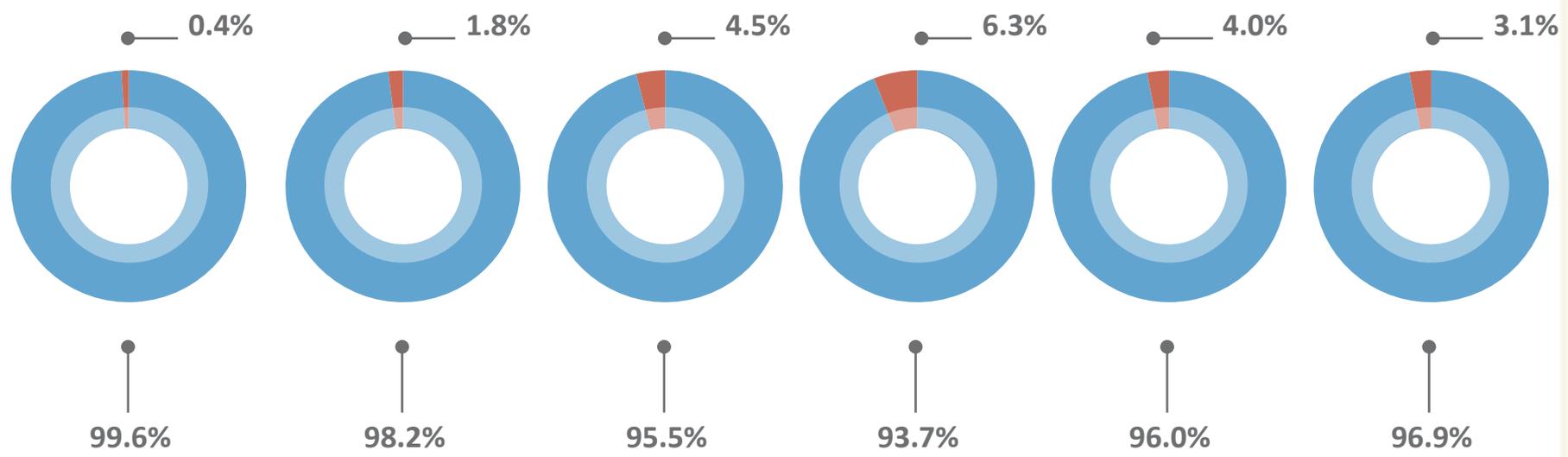
21 plan options to choose from

The combination of DPAs and hospital networks result in high in-hospital payout ratios across all plans



In-hospital claims payout ratios (including medical specialists)

- Executive
- Classic
- Essential
- Coastal
- KeyCare
- Overall

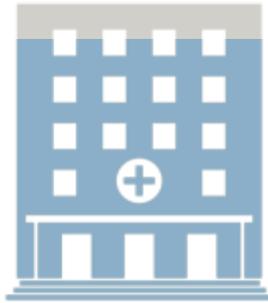


■ Claims payout ratio ■ Uncovered claims

Network footprint results in comprehensive benefit coverage

Hospital networks

Coastal: **99%** coverage
KeyCare: **98%** coverage
Delta: **80%** coverage



GP networks

DHMS: **86%** coverage
KeyCare: **98%** coverage

PMB networks (specialist DPAs)

IH: **93%** coverage
OH: **83%** coverage



Pharmacy networks

Delta: **93%** coverage
KeyCare: **96%** coverage



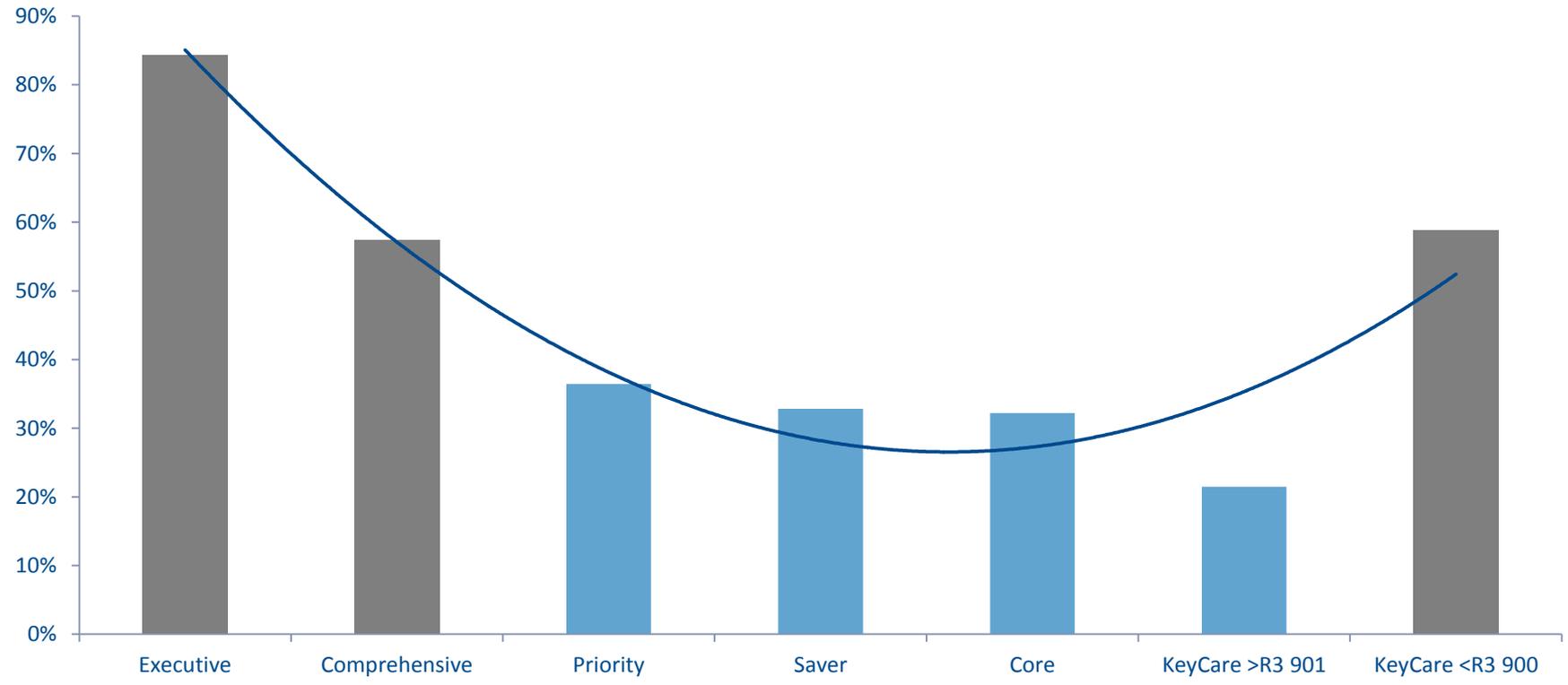
> **R1 billion** member savings by reducing member copays

> **R1.5 billion** scheme savings through PMB protection

Open enrolment introduces adverse selection at extreme ends of plan range



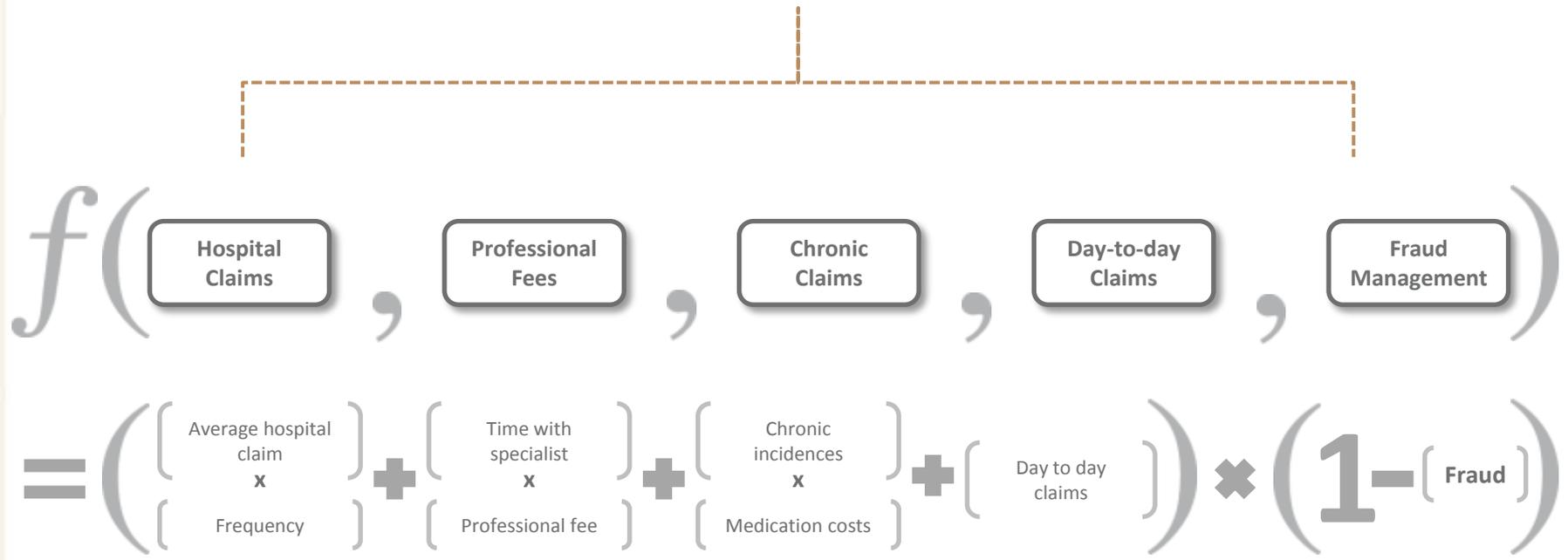
Chronic spend as proportion of total contributions (2012)



Cross-subsidies across the plan range are actuarially sound, beneficial for sicker members and sustainable in the long term

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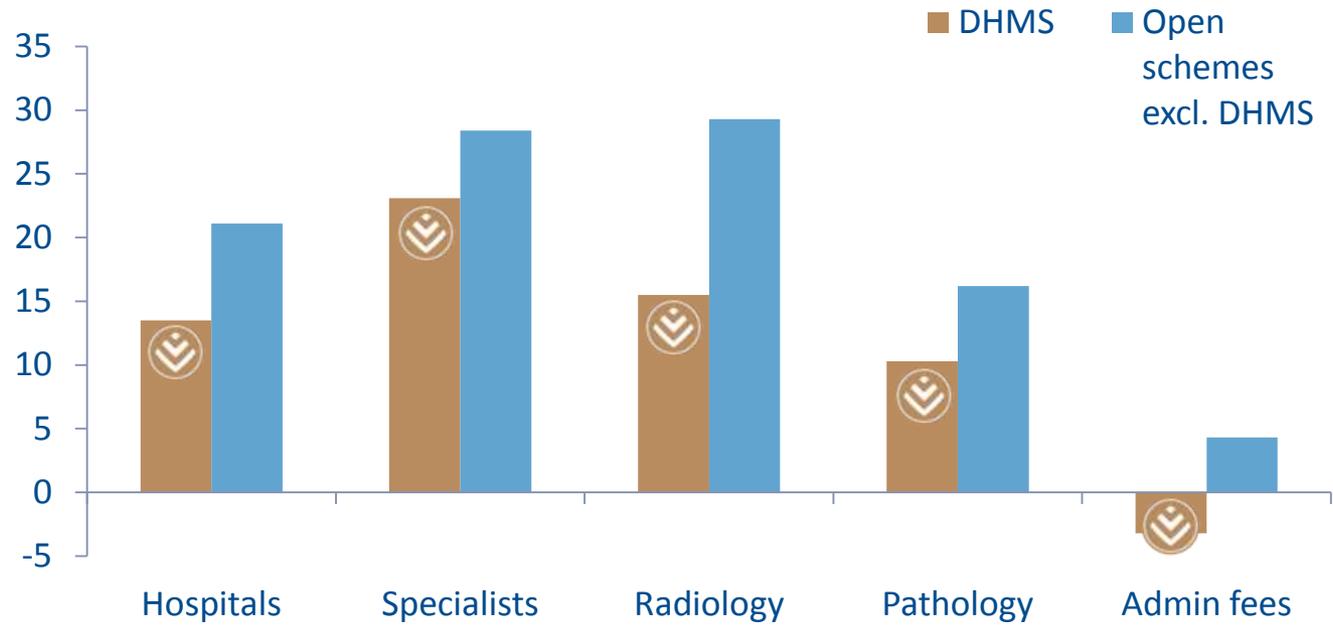
Healthcare Costs



DHMS has a lower cost inflation than all other open schemes

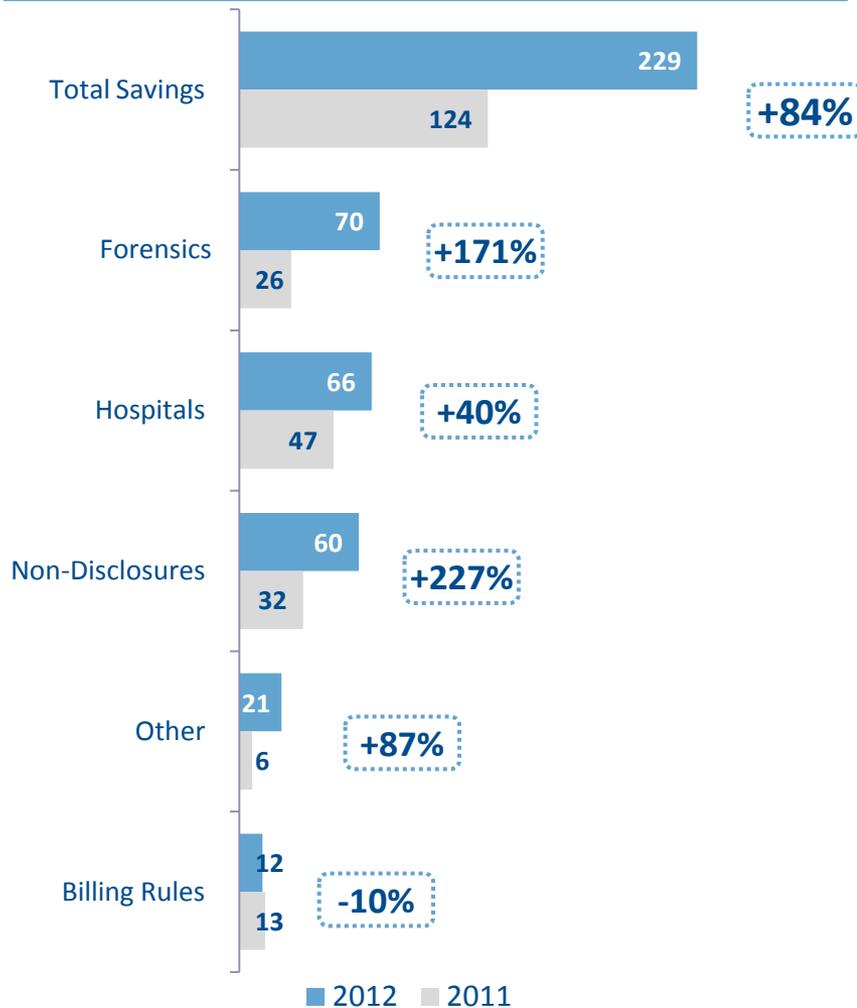


% Growth in pabpm costs (2008 – 2011)

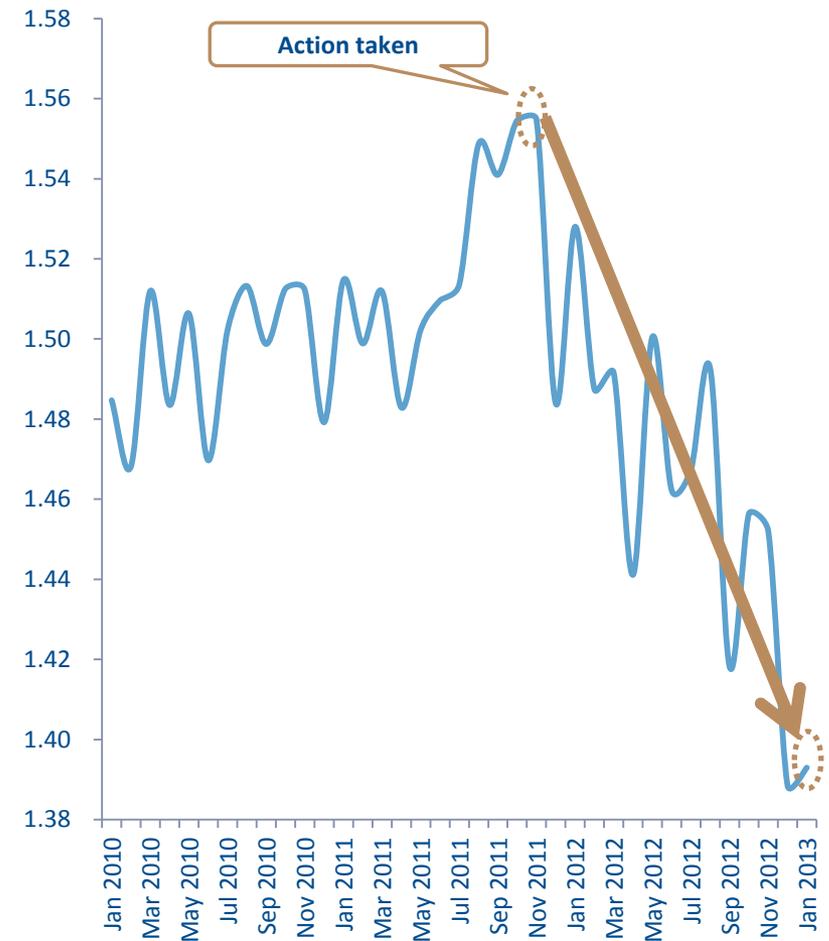


18.8% lower claims cost per beneficiary per month

84% Improvement in Fraud savings

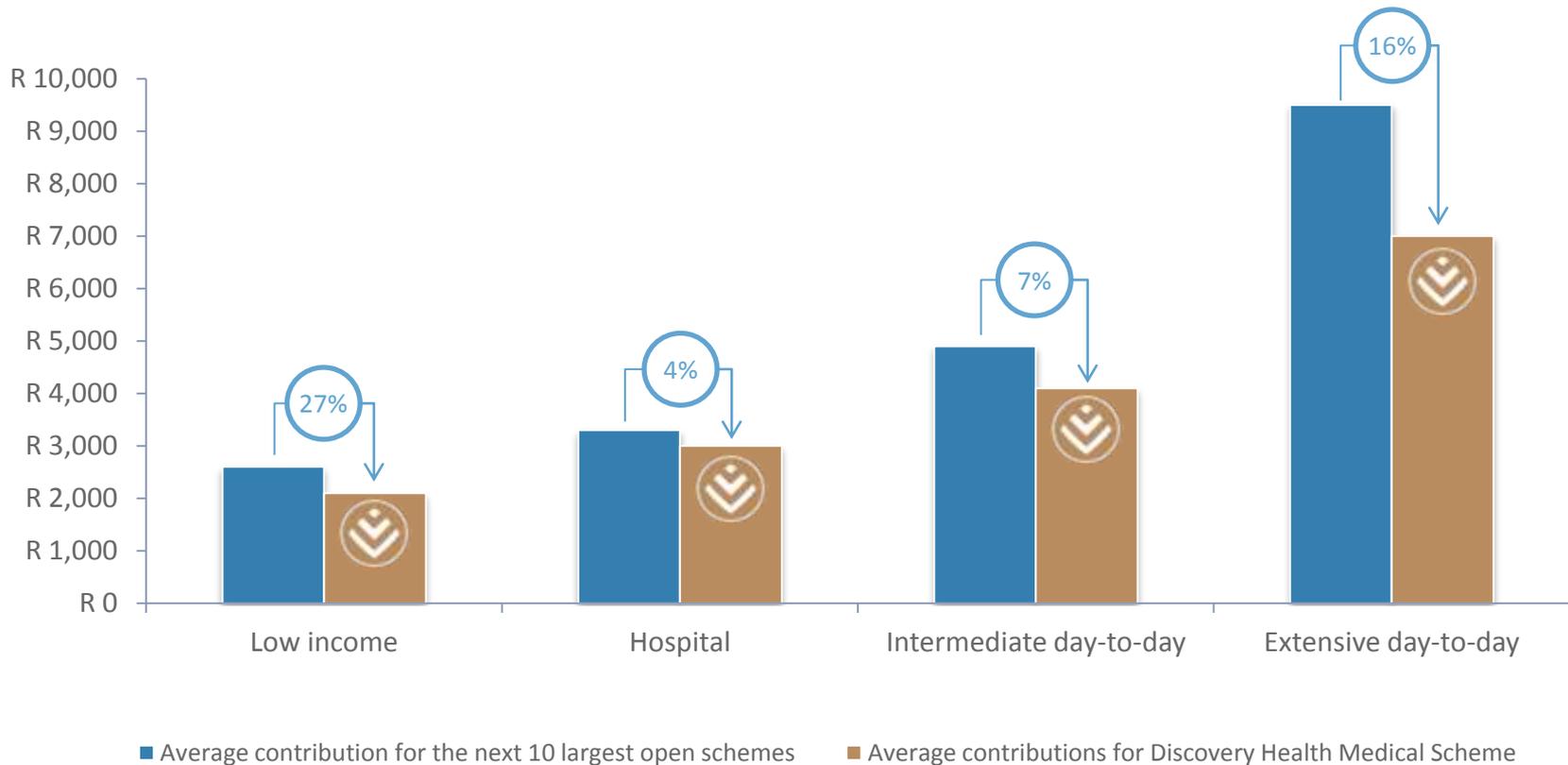


Significant reduction in GP visits / claimant



DHMS remains the most affordable choice across the medical scheme spectrum

2013 contributions for a family of four



Average **15.2%** lower contributions
than the market

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Seamless access to the healthcare system underpinned by best in class service



1 494
New lives
join the scheme per day



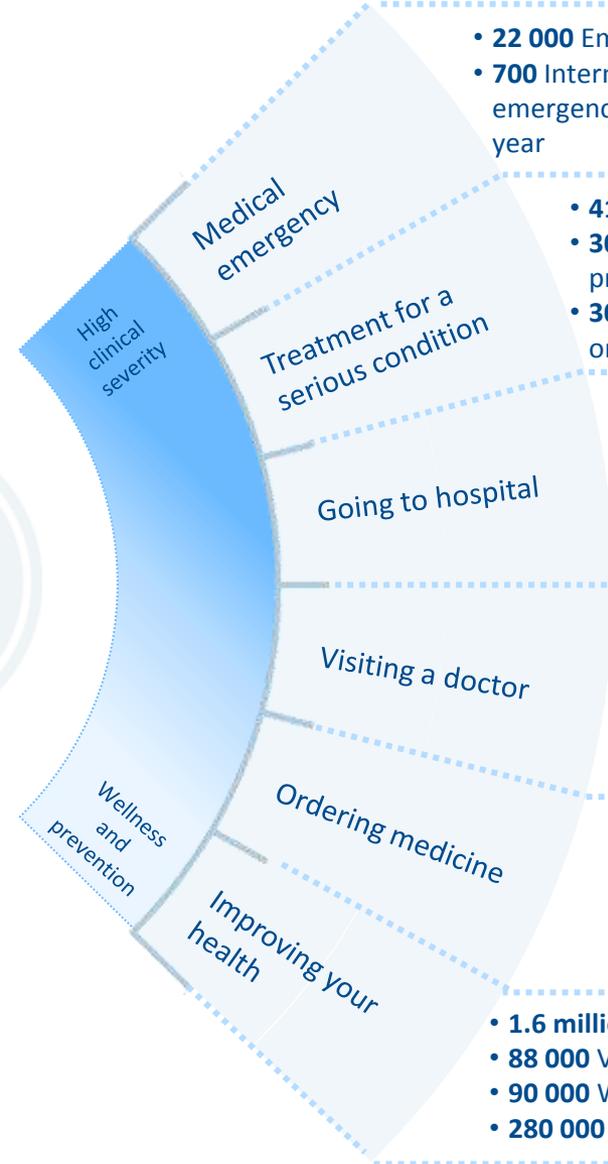
93 600
Calls
handled
every day



184 500
Claims
processed per day



121.5 million
Rands paid
out for claims
every day



- **22 000** Emergencies
- **700** International emergency events per year



- **410 000** members registered on CIB
- **30 000** members registered on HIV program
- **30 000** members registered on oncology program



- **1 500** hospital admissions per day
- **45 500** Discovery babies born (54 babies every working day)
- **88 000** MLM visits



- **4 500** Specialists enrolled on DPAs
- **88%** of specialist visits in arrangements
- **4 100** GPs enrolled on DPAs
- **86%** of doctor visits in arrangements



- **2.4 million** total medicine scripts
- **700** scripts through MedXpress per week



- **1.6 million** lives
- **88 000** Vitality checks
- **90 000** Wellness day assessments
- **280 000** Personal Health Reviews





Over 1 000 practitioners
have adopted HealthID



Over 120 000 member
consents to date

Case Study 1: Dermatologist

- Member suffering from a **rash** goes to the doctor
- Using HealthID, the doctor learns that the member had been prescribed with **other medication – side effects of this drug being the outbreak of a skin rash**
- Doctor substitutes the existing medication and **no additional medication or tests** are required

Case Study 2: Anaesthetist

- During pre-op rounds, the anaesthetist confirms all patients' **medication and dosages**
- Using HealthID, he learns of **incorrect information provided by the patient** on the name of medication used
- This information **potentially saved a DHMS member's life** as the medication could have adversely affected the outcome of the operation

Independent surveys confirm Discovery Health's outperformance in all service areas

FIA Healthcare 'Product Supplier for the Year' since 2008

2008



2009



2010



2011



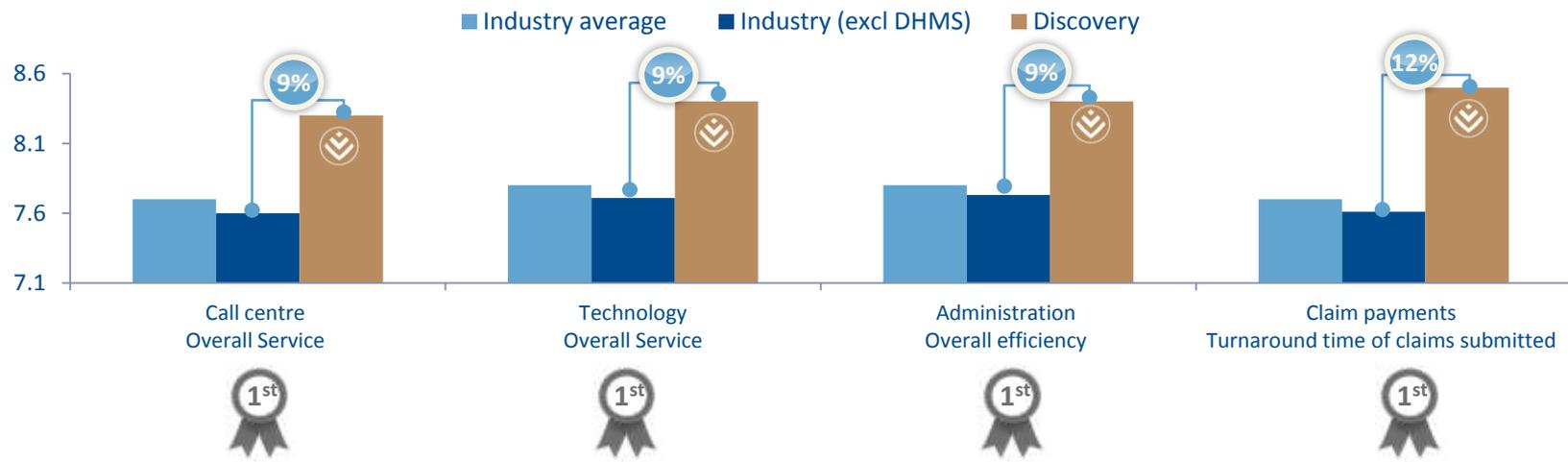
2012



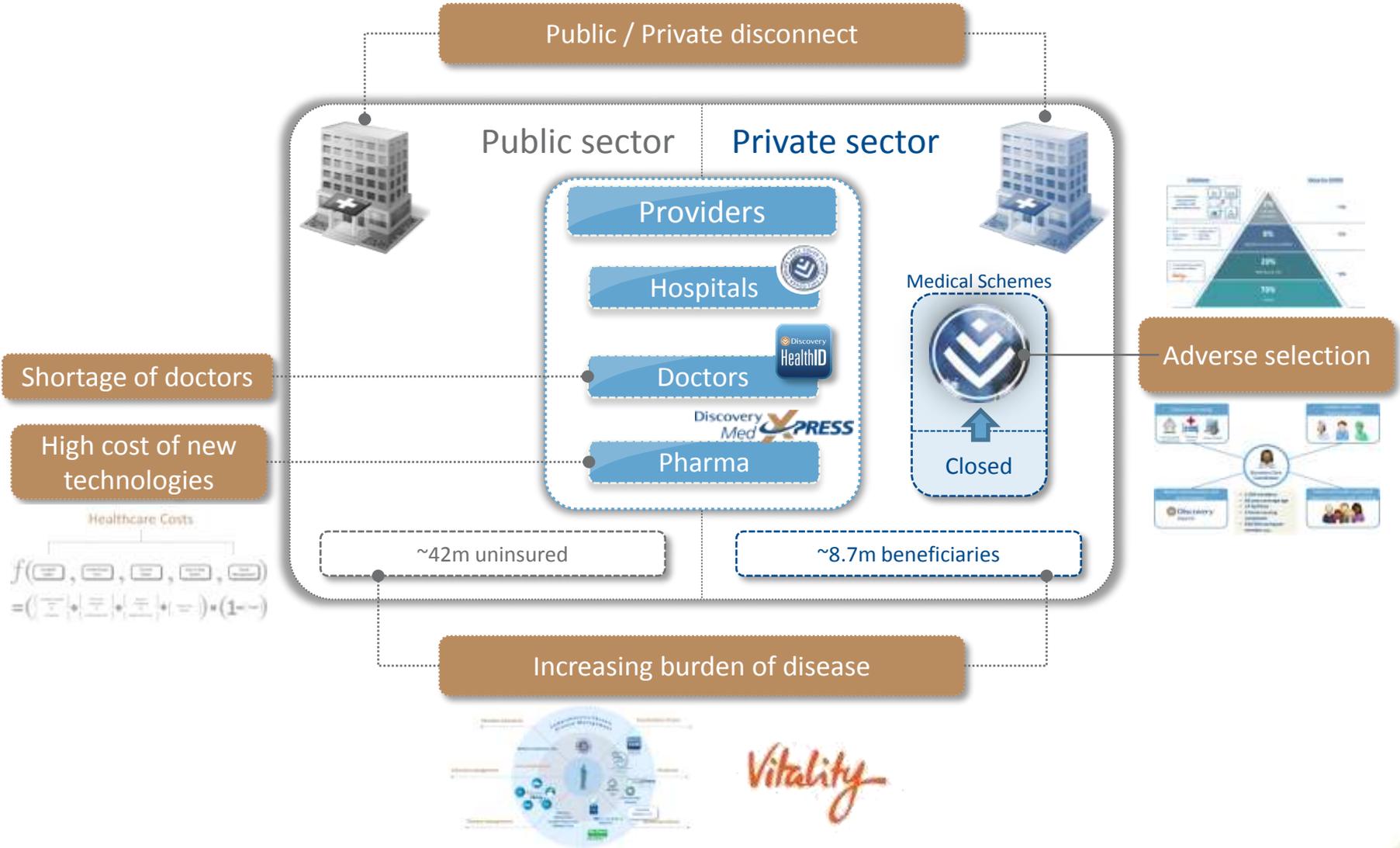
2013



Independent Survey Ratings (Private Healthcare Pulse 2009/2012)



Discovery Health enhances the healthcare experience of DHMS members



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R160m investment
committed by 2016



R65m has been invested
in projects around SA

Social compact

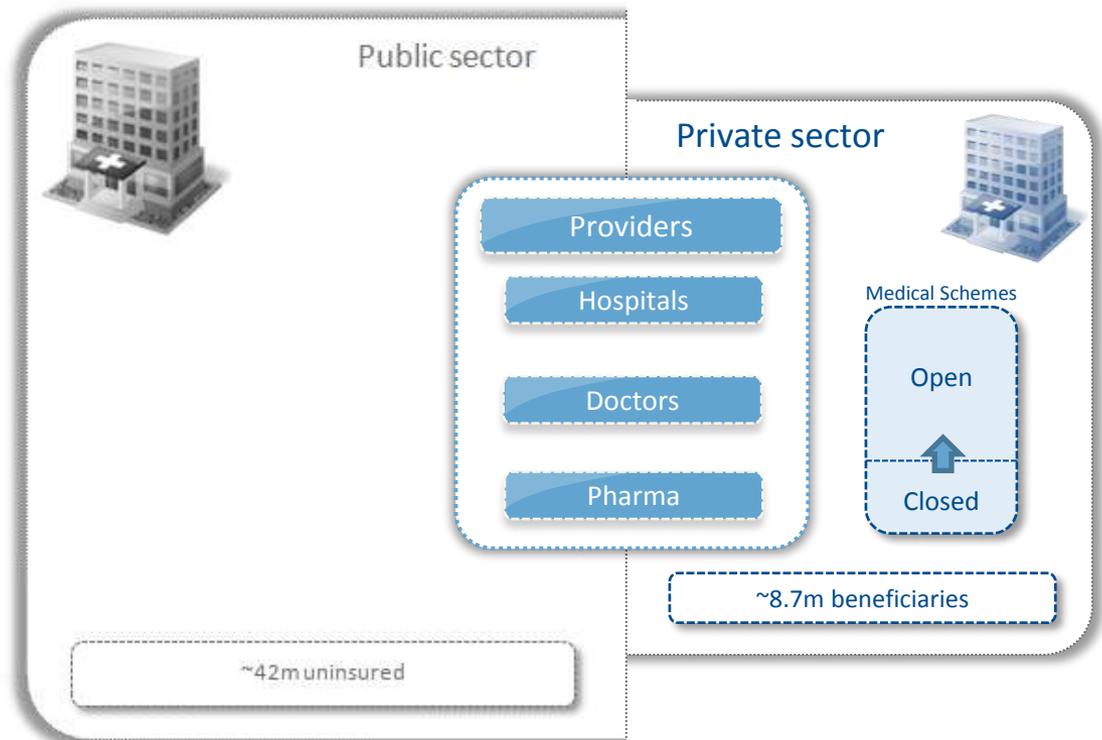
R15m p.a commitment as part of
public-private sector collaboration

NHI Support

Discovery dedicated team
supporting NHI for a **year** now



R5m per year for
a **3 year period**



Discovery Foundation aims to **invest over R300m** in the education and training of more than **600 medical specialists** over a period of **20 years**



Academic Fellowship awards

Boosting **clinical and academic training** and knowledge in South Africa



Sub – Specialist awards

Address the shortage of funded **training posts for sub – specialists** at South African academic and affiliate institutions



Rural Fellowship awards

Grants to **attract and retain medical doctors in rural areas** and opportunities for professional development



Excellence awards

Monetary awards to **boost healthcare resources for organisations**



Massachusetts General Hospital award

Grant to conduct cutting-edge **medical research** in collaboration with MGH in Boston, MA

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