



*the best of care*

— 2014 —

## Discovery Health presentation to Discovery Health Medical Scheme AGM

6<sup>th</sup> June 2014

Dr Jonathan Broomberg, CEO, Discovery Health

# Discovery Health Medical Scheme

## 2013 key facts and figures



**2 564 313** lives covered  
(2012: **2 469 023**)

**4.6%** average increase in principal members  
(2012: **6%**)

**4.15%** scheme lapse rate  
(2012: **4.1%**)

**R9.9 billion** in reserves  
(2012: **R8.2 billion**)

**R1.5 billion** net surplus  
(2012: **R789 million**)

**96.9%** in-hospital cover ratio  
(2012: **96.9%**)

**AA+** credit rating  
(2012: **AA+**)

**52%** share of open medical scheme market  
(2012: **51%**)



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.**



## #1 Key challenges facing Discovery Health Medical Scheme and SA private healthcare system

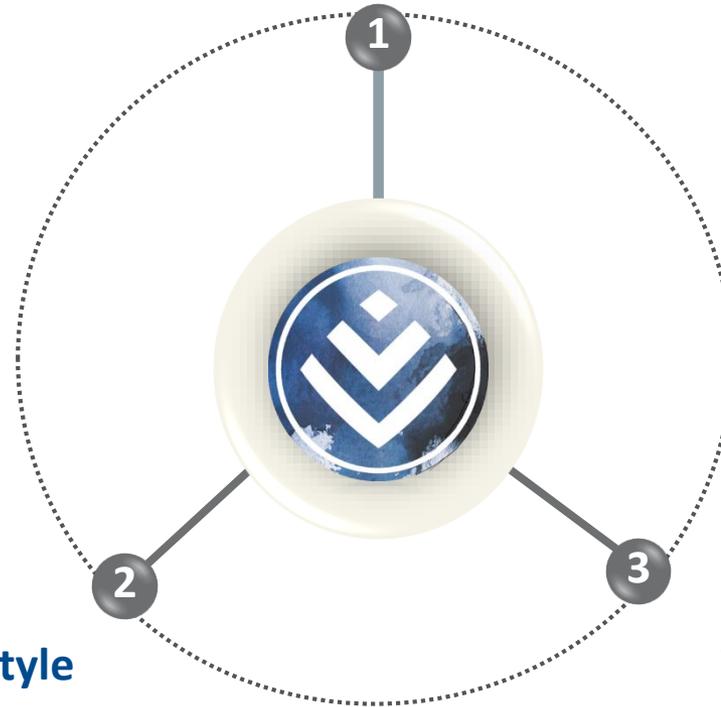
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## #2 Discovery Health's vision and strategies for Discovery Health Medical Scheme

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# Key challenges facing Discovery Health Medical Scheme and SA private healthcare system

**Medical inflation rising faster than CPI**

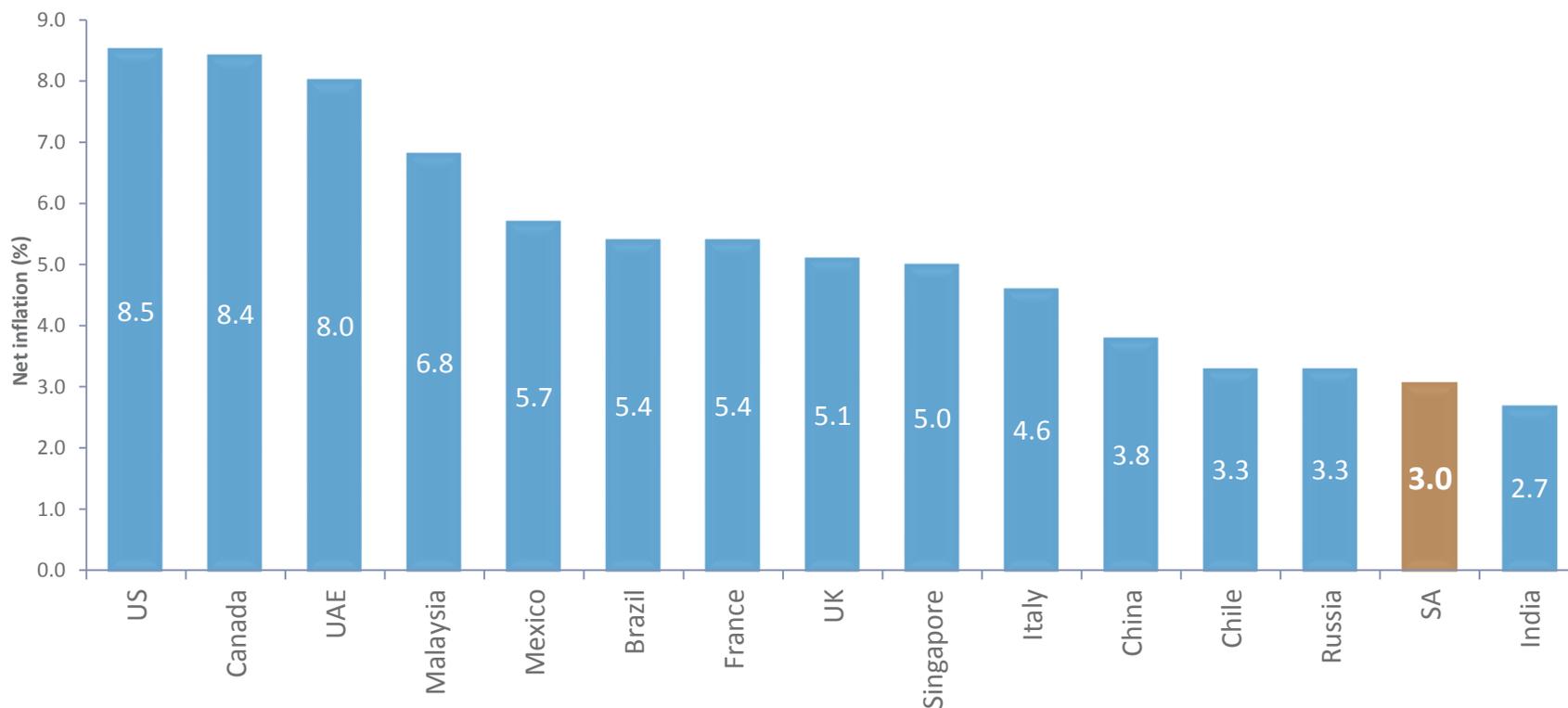


**Rising burden of lifestyle diseases**

**Variable quality of care and value for patients**

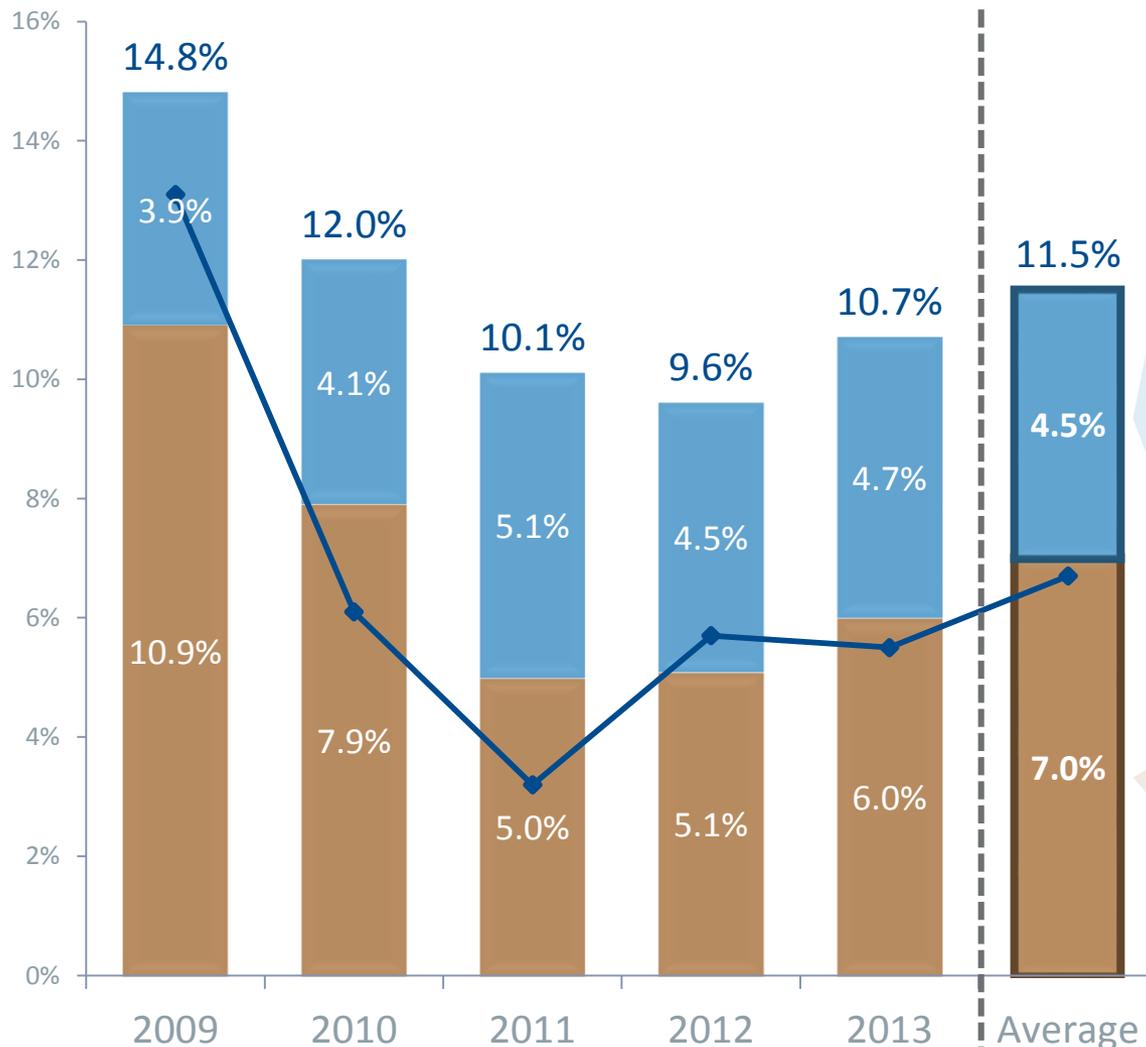
# Medical inflation is a global issue

Out of 52 countries surveyed, SA had the 8th lowest net medical inflation



# SA medical inflation is not all about tariffs - volume of services is a critical cost driver

## Medical Inflation: 2009 – 2013



### A Supply-side drivers:

- Fee for service system
- Fragmentation of care
- New technology & procedures
- New hospitals

### B Demand-side drivers:

- Adverse selection
- Increased disease burden
- Ageing

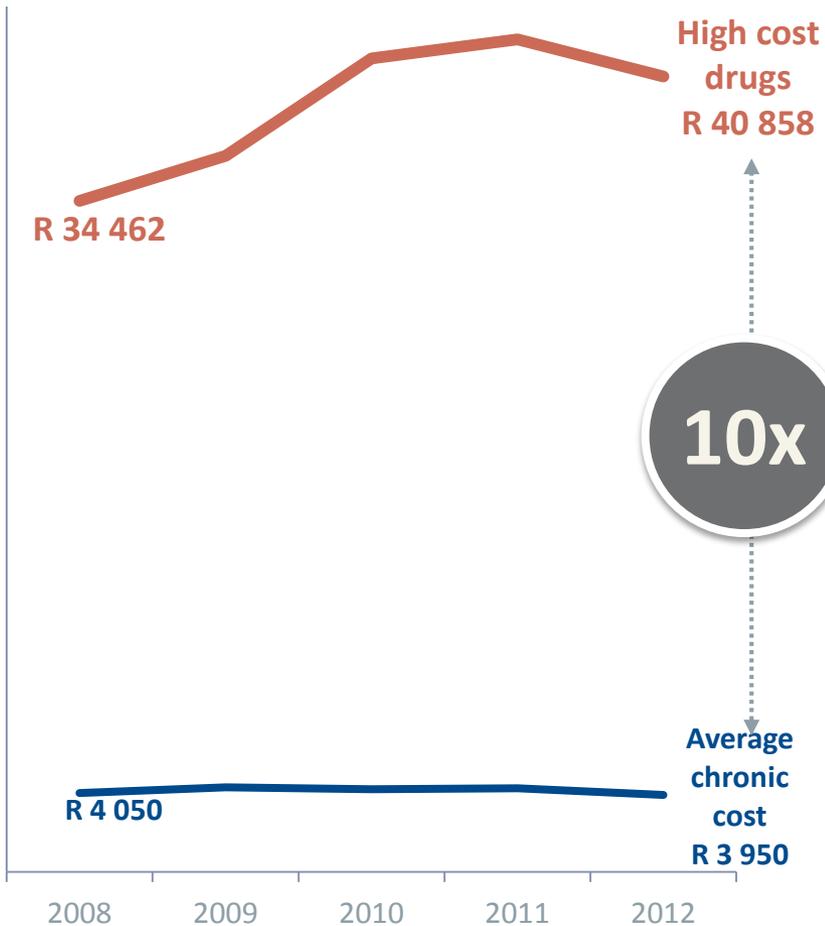
### Tariffs:

- 0.3% above CPI

# High cost drugs and new technologies are driving costs

## Rapid increases in use of high cost drugs and technology

Spend per patient per annum



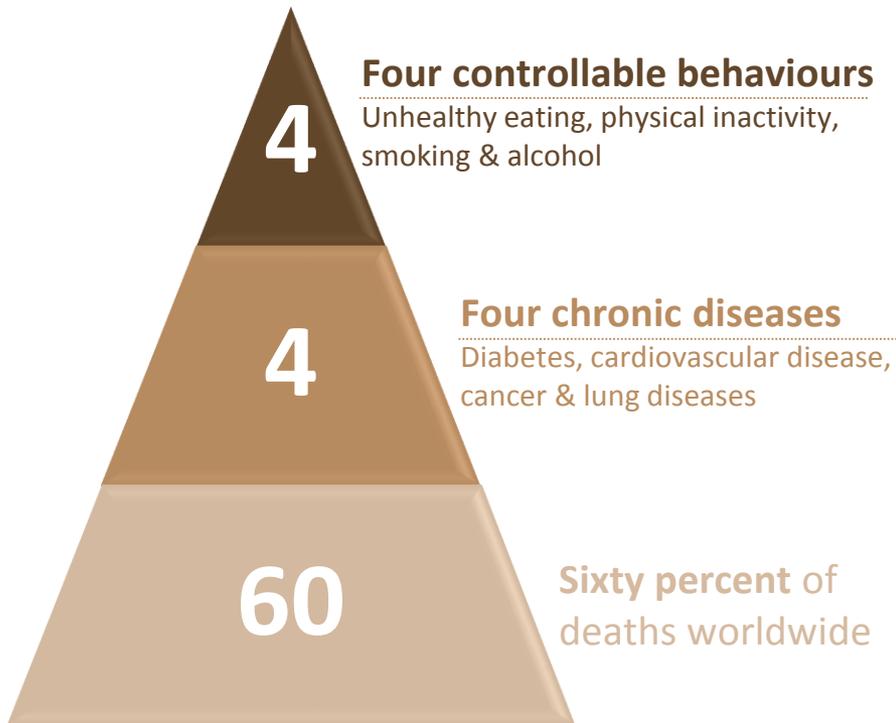
## da Vinci™ Surgical System



- 44 cases funded so far
- ~R186 000 per case
- >2 times the cost of the alternative surgery (open prostatectomy)
- Takes **10,000 healthy members** to fund **400 cases**

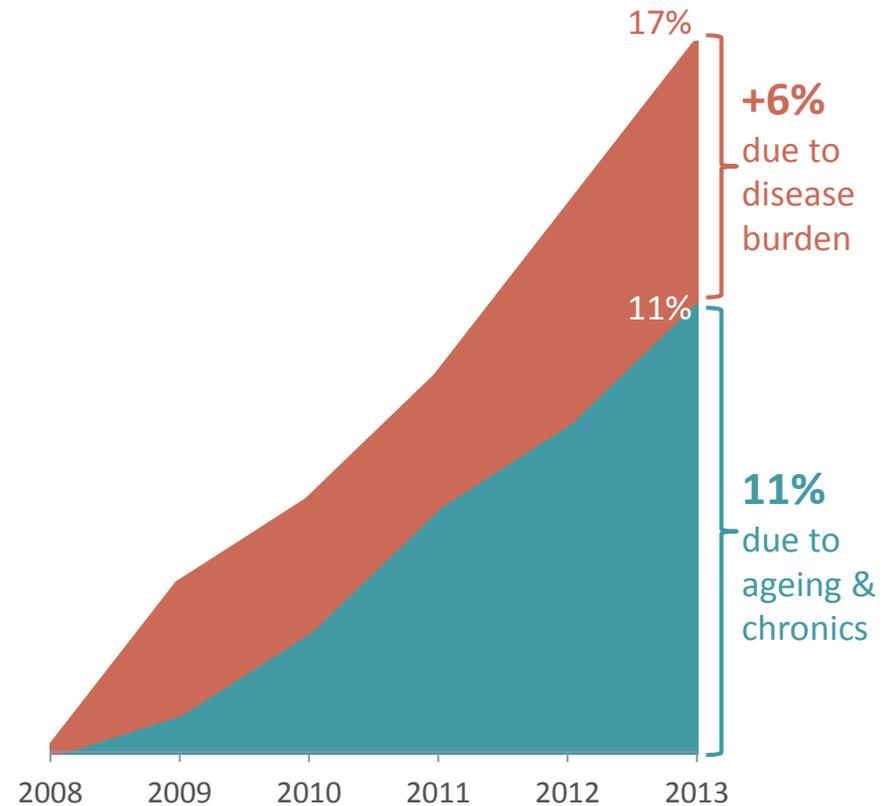
# Ageing and increasing lifestyle disease burden are also driving costs

## Epidemic of lifestyle diseases

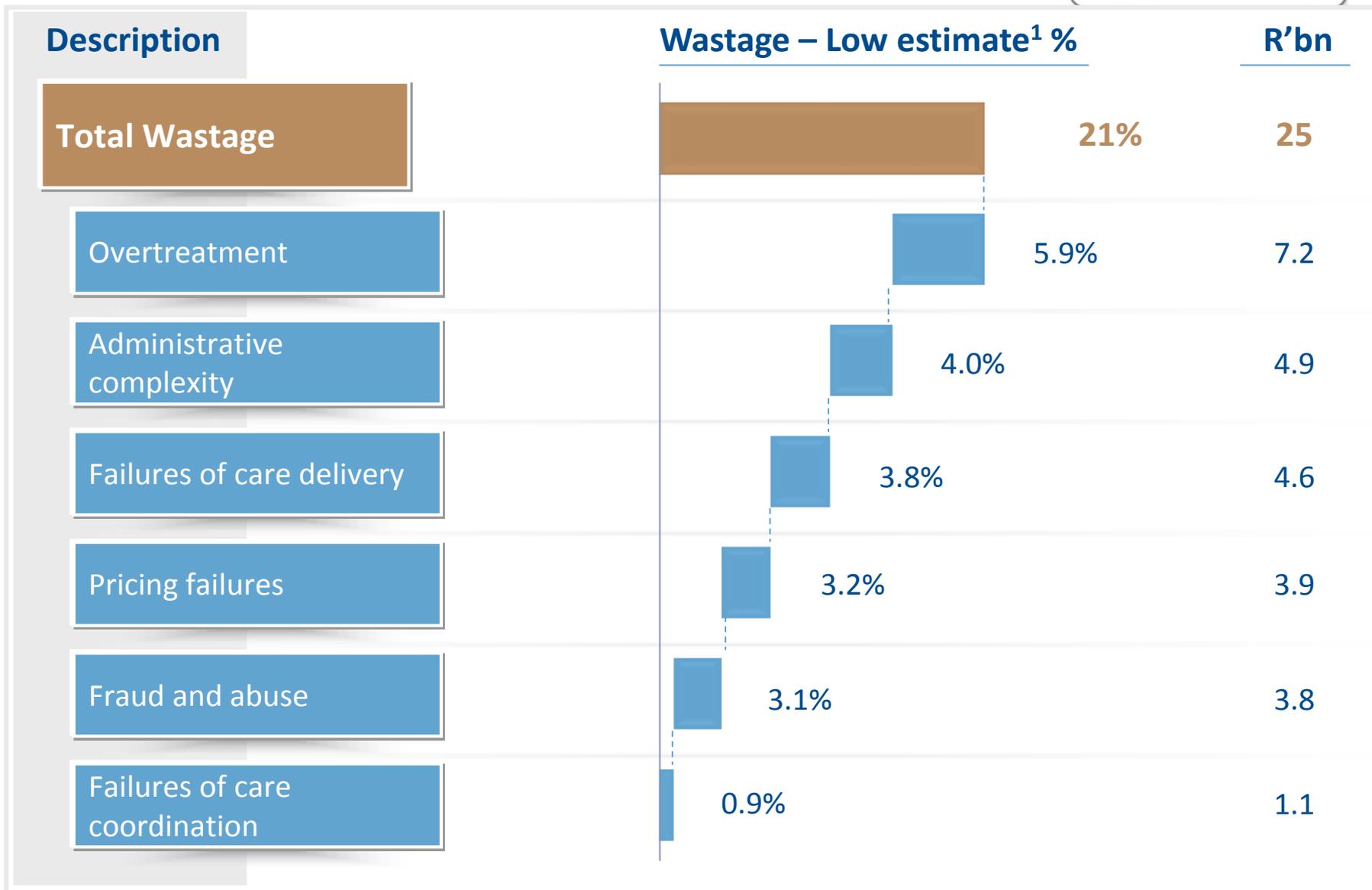


## Increasing disease burden in private schemes

Disease burden index, %

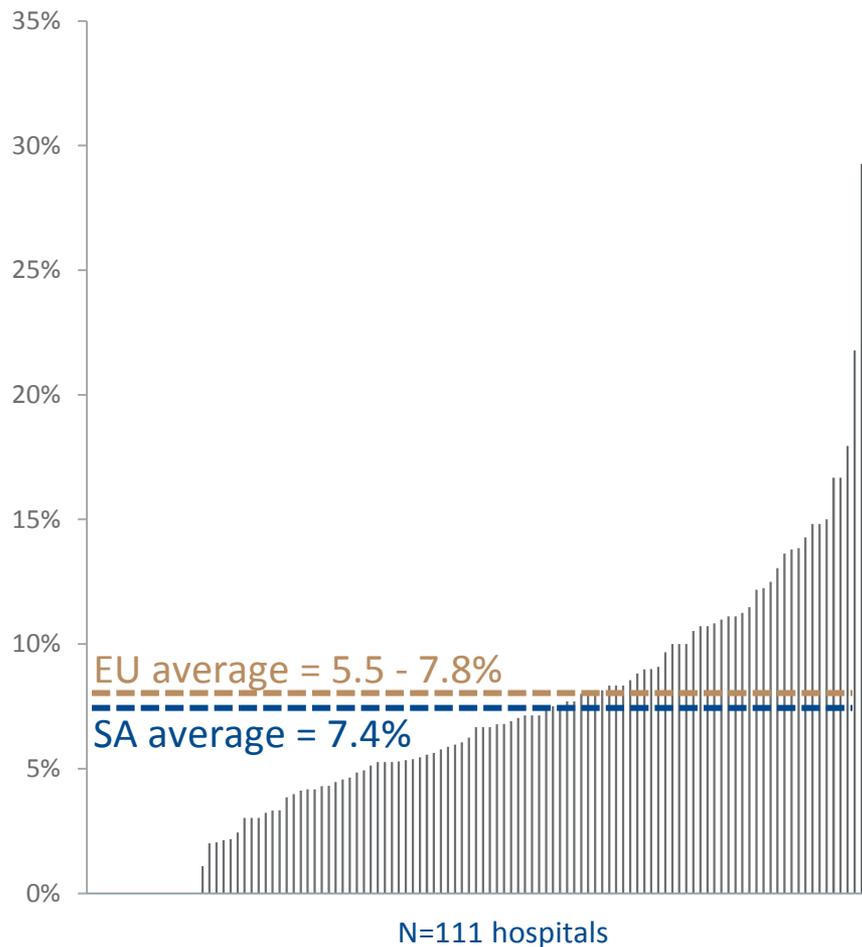


# Variable quality and value for patients in our healthcare system

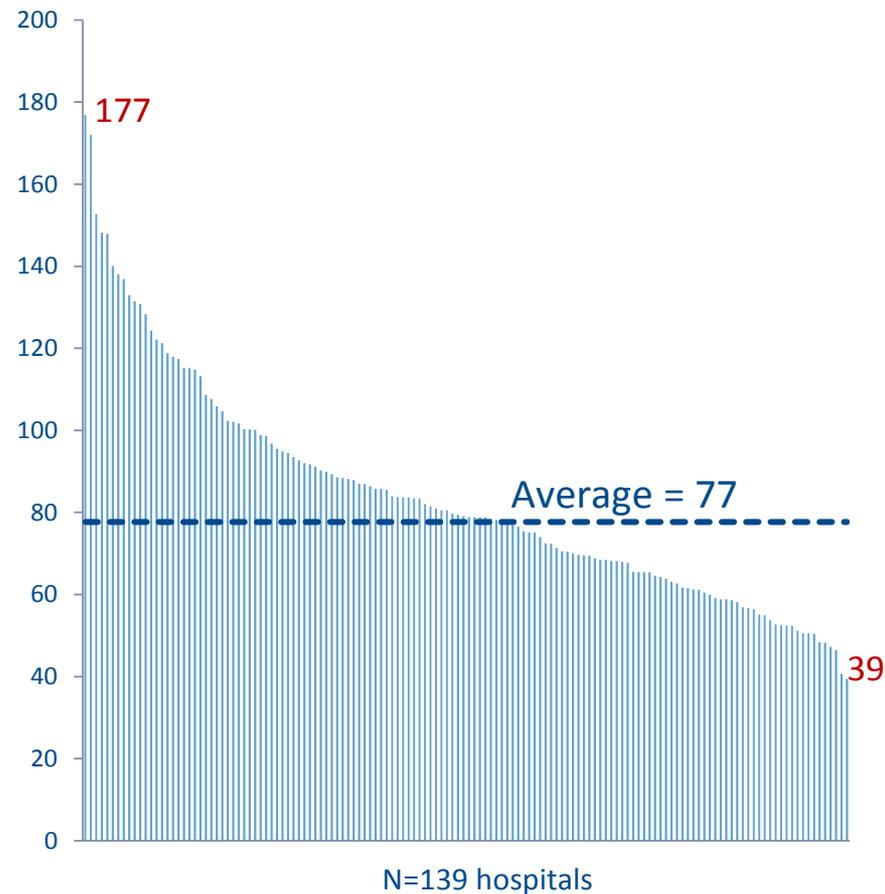


# Variable quality of care between different private hospitals

Mortality rate for Acute Myocardial infarction (%),  
2008 - 2011



In hospital antibiotic utilisation



**#1** Key challenges facing Discovery Health Medical Scheme and SA private healthcare system

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**#2** **Discovery Health's vision and strategies for Discovery Health Medical Scheme**

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# Discovery Health's vision and strategies for Discovery Health Medical Scheme



① **Lowest healthcare costs** of any medical scheme in SA

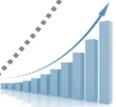
② Make **members healthier**



③ Build a **Discovery healthcare system** that ensures **superior quality and value** for members



④ **Best service experience** and **seamless patient journeys** through the healthcare system



⑤ Ensure **outstanding financial performance** and **sustained healthy growth**

*Vitality*





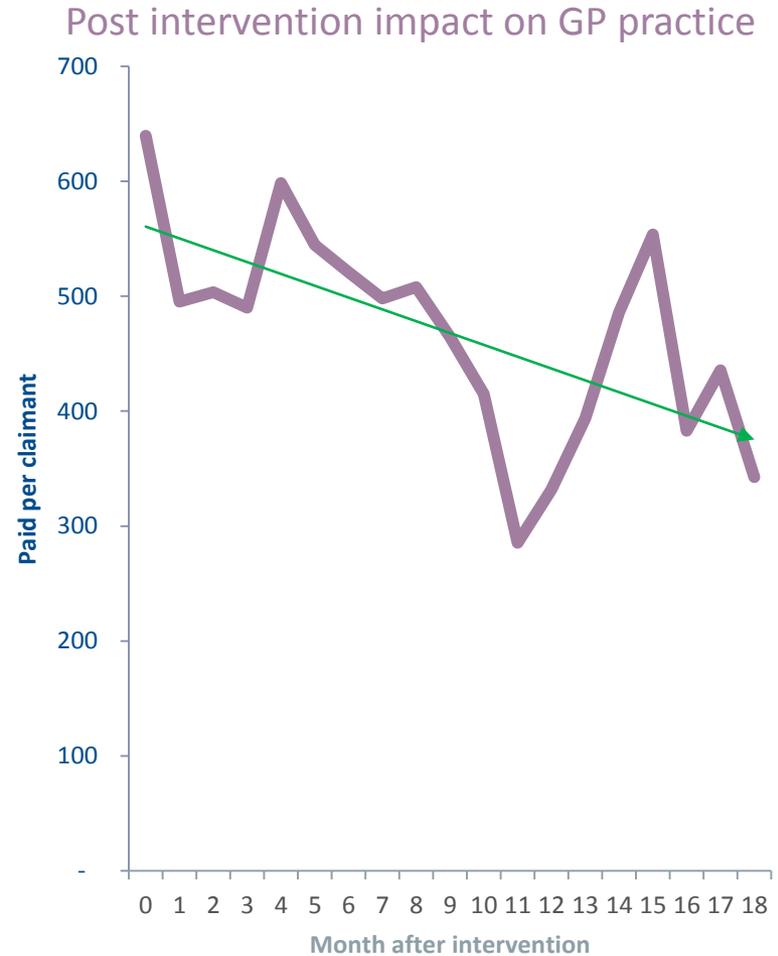
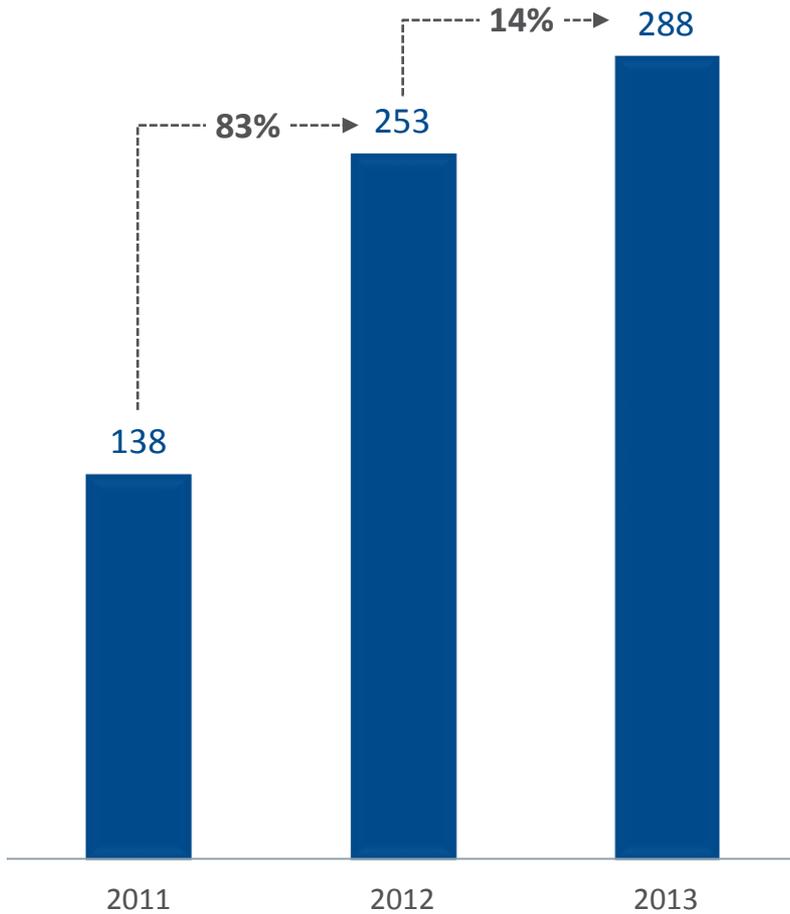
- 1 **Lowest healthcare costs** of any medical scheme in SA



# 1 Significant increase in fraud recoveries and savings

14% increase in fraud and forensic savings in 2013

R467m cumulative Halo effect



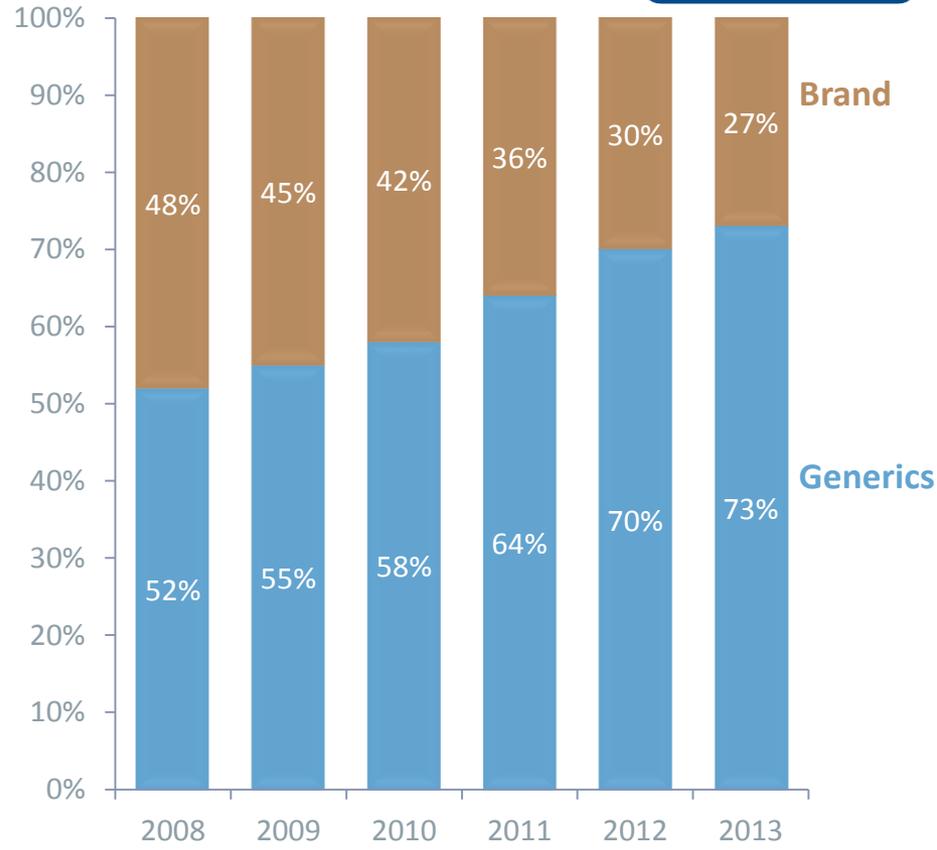
1

# Effective medicines management saves Discovery Health Medical Scheme R600m per annum



## Out of hospital chronic medicines

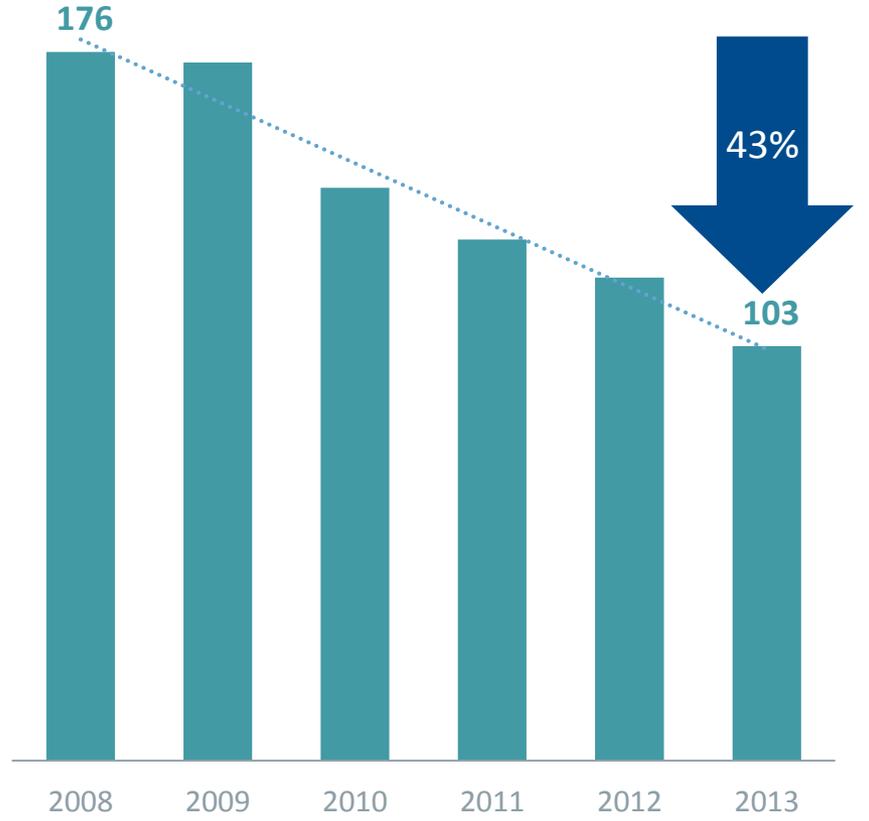
**R63m**  
Savings in 2013



## Significant drive to reduce the cost of statins

**R73m**  
Savings per annum

Average cost per script per annum

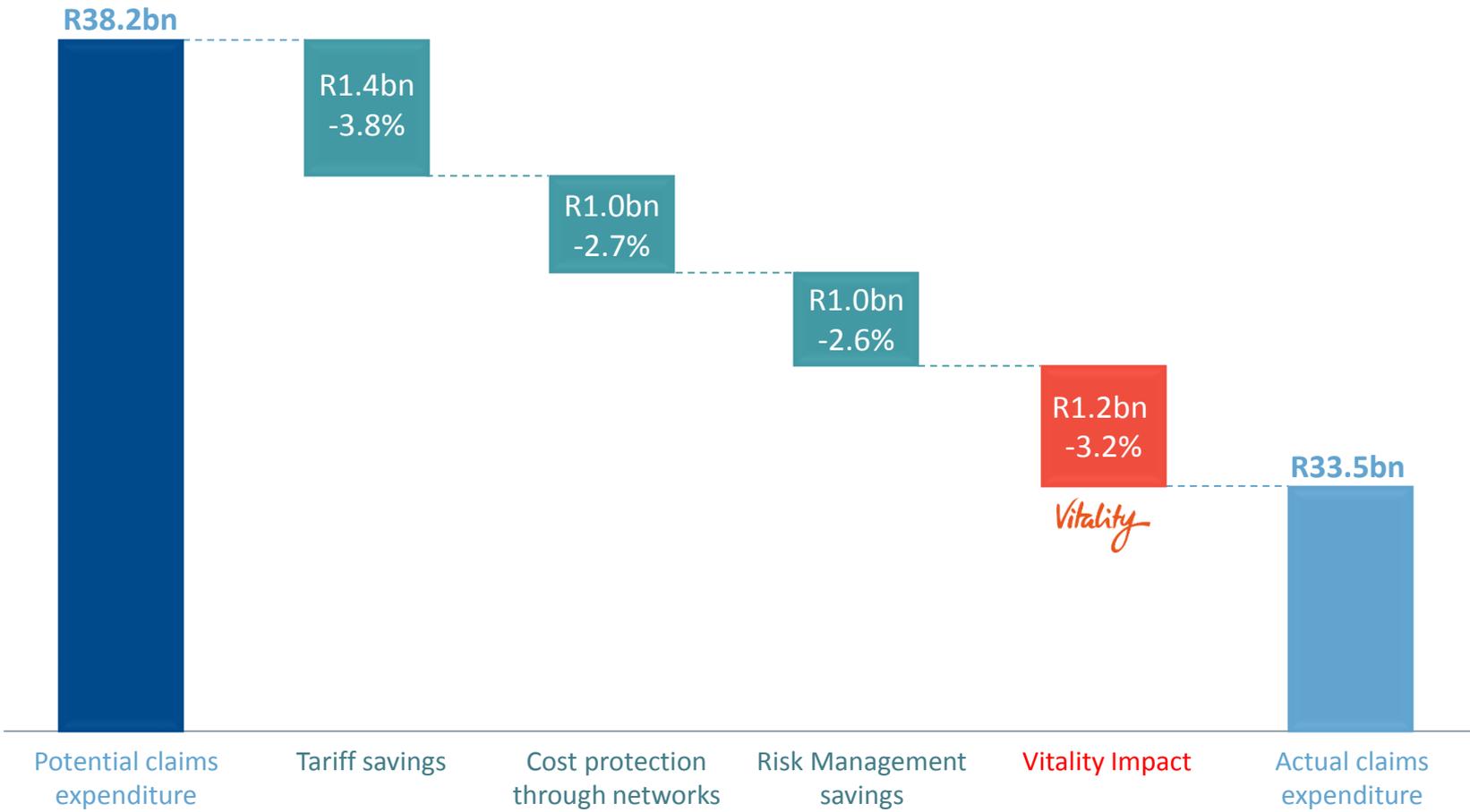


**Notes:**

- 1. Basket excludes non-substitutable
- 2. International substitution rate = 80%

1

# Discovery Health and Vitality's interventions save Discovery Health Medical Scheme R4.7bn per annum



Savings equivalent to 12.3% of total claims

**1** Scheme members also have access to a range of exclusive discounts through Discovery Health's partnerships



Discovery Health Medical Scheme members saved **~R95m in 2013**

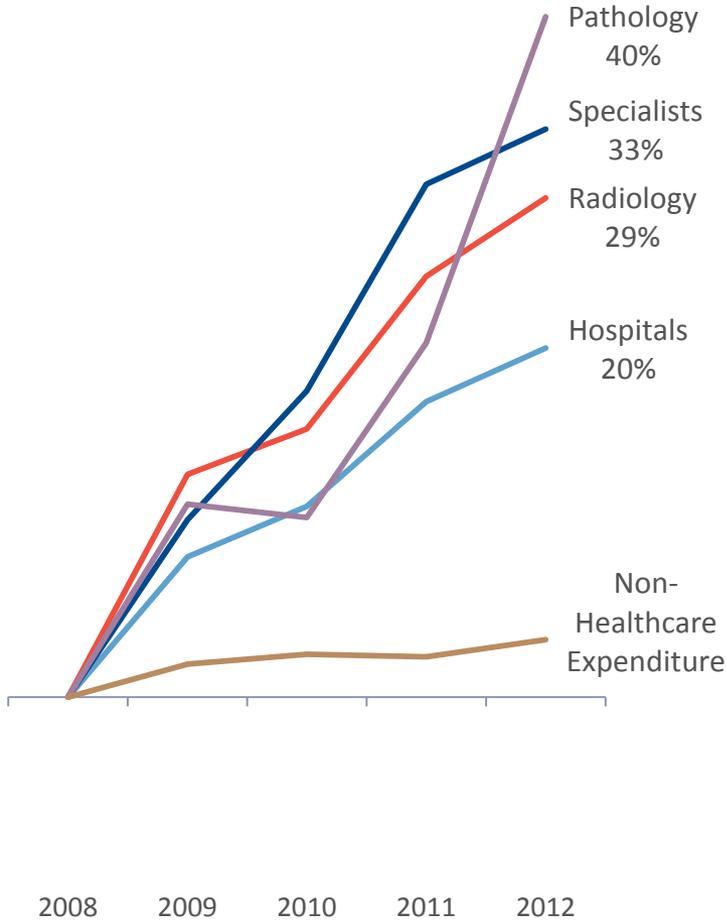
MedSaver	ChroniCare	Optometry	Stem cell cryogenics
 	 	<p>Optometry network</p> 	 
<p>Save up to <b>25%</b> on the purchase of schedule 1 and 2 medicines</p>	<p>Save up to <b>25%</b> on ChroniCare products at Dis-Chem pharmacies</p>	<p>Save up to <b>20%</b> on frames and lenses through our optometry network</p>	<p>Save up to <b>25%</b> on umbilical cord blood and tissue stem cell cryogenics with Netcells Biosciences</p>
<p><b>75,000 members</b> received <b>R54 cashback</b> on every purchase</p>	<p><b>3,100 chronic members</b> received <b>R48 cashback</b> on every purchase</p>	<p><b>210,000 members</b> saved <b>R433 saving</b> on every purchase</p>	<p><b>372 members</b> each saved <b>R3,763</b></p>

1

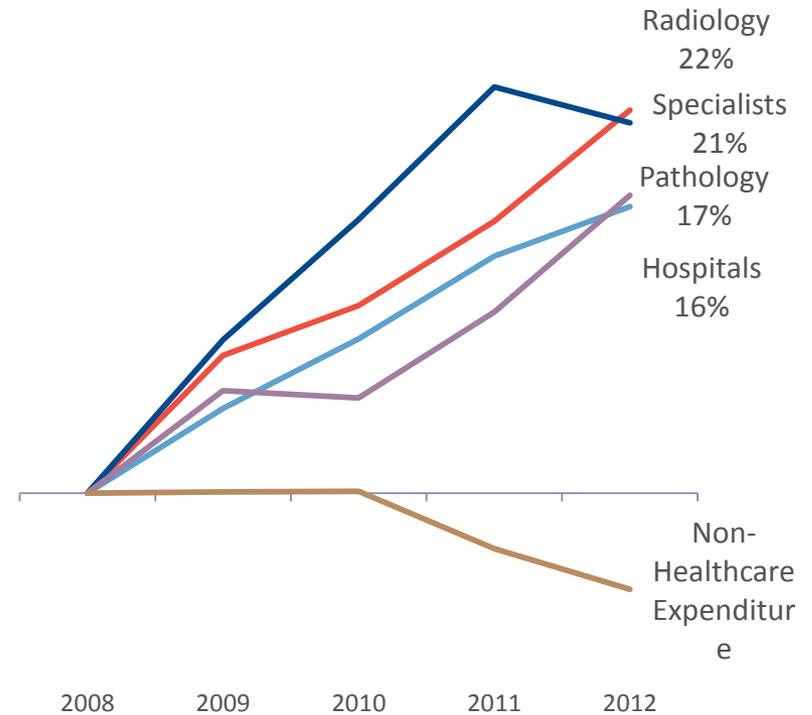
# Cost inflation within Discovery Health Medical Scheme is lower than all other open schemes



Open Schemes excluding Discovery Health Medical Scheme  
(% growth in pabpm costs – 2008 baseline)

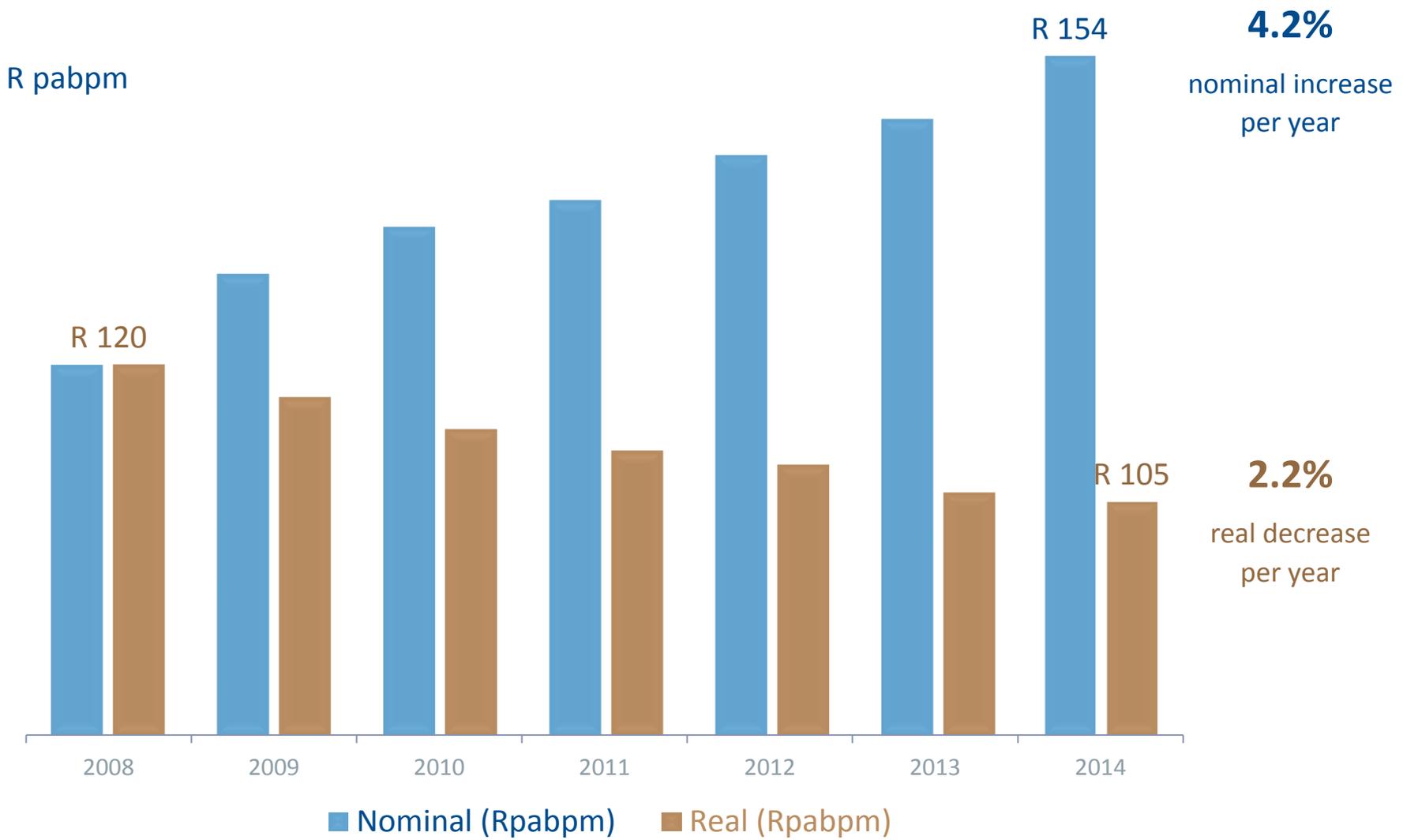


Discovery Health Medical Scheme  
(% growth in pabpm costs – 2008 baseline)



1

# Discovery Health Medical Scheme - admin and managed care fees: 2008-2014





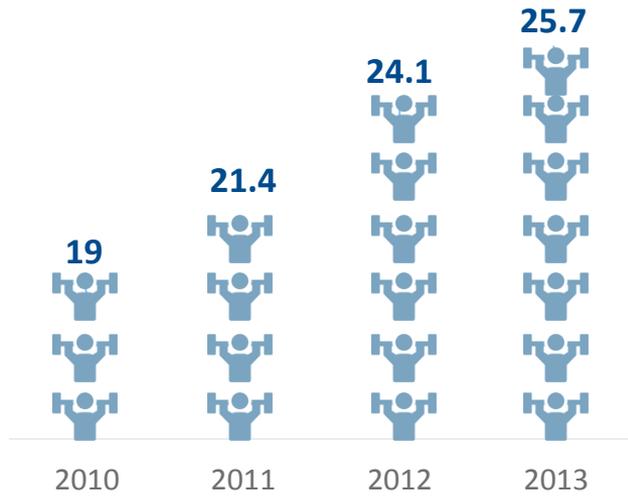
2

Make  
**members healthier**

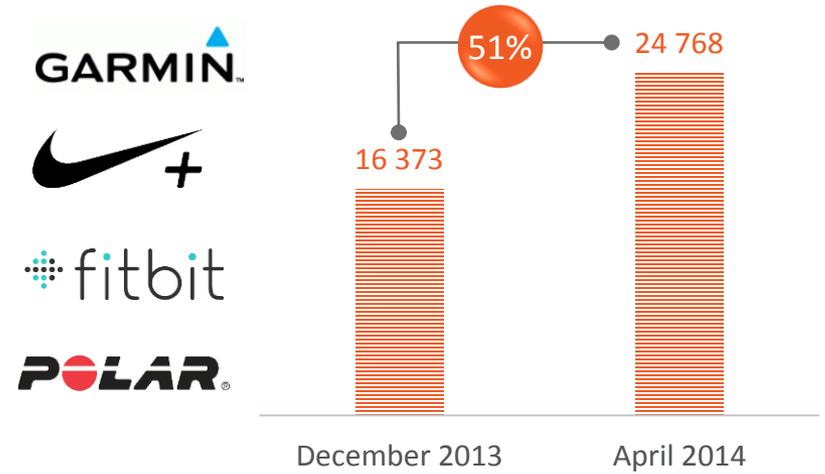
*Vitality*

## 2 Making members healthier through Vitality

### Member gym visits (million)



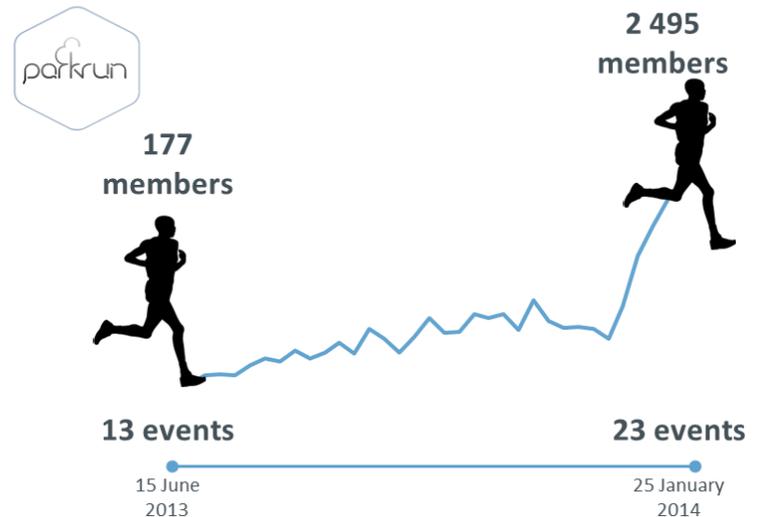
### Significant increase in use of fitness devices



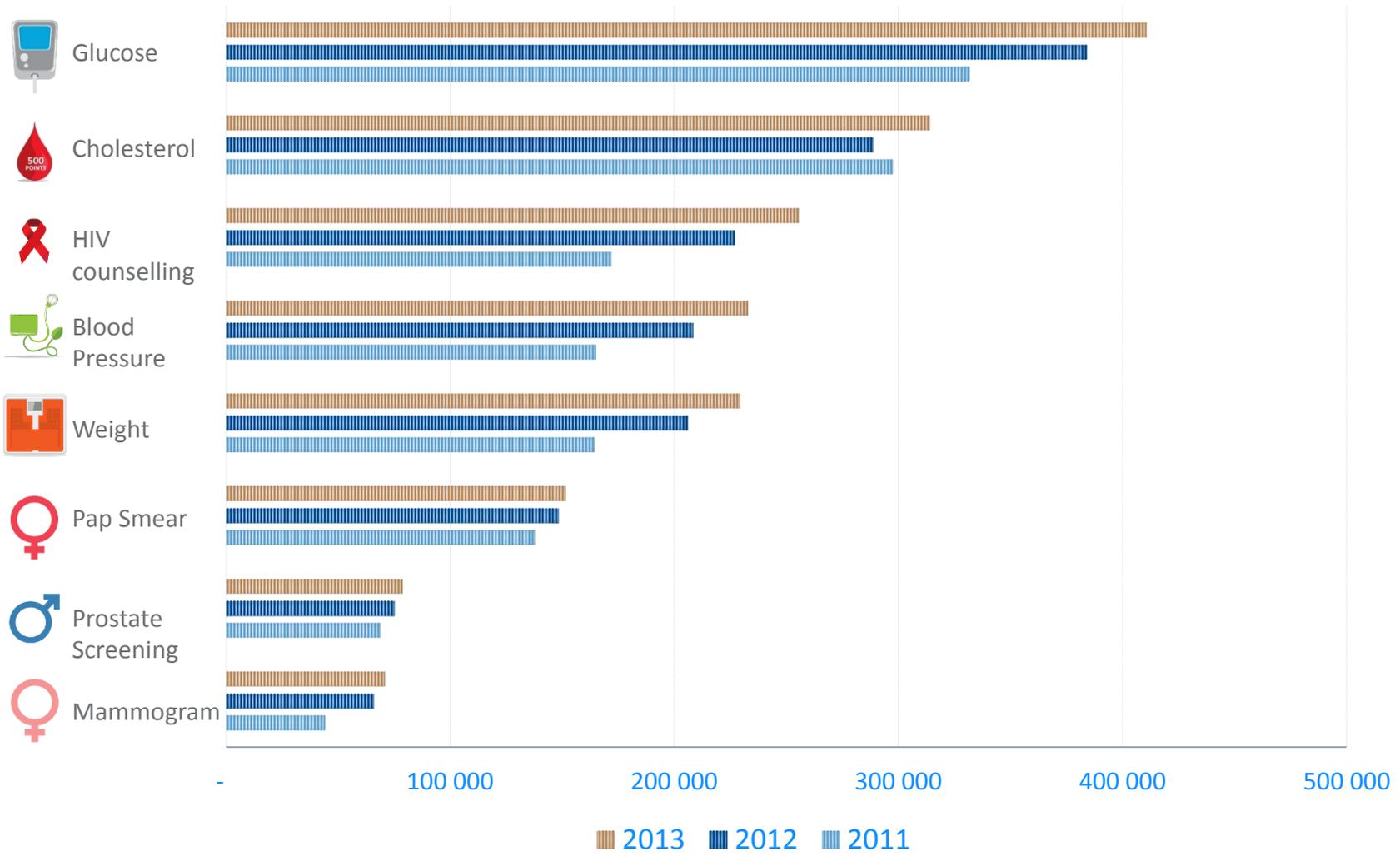
### Discovery sponsored walks



### Park Runs

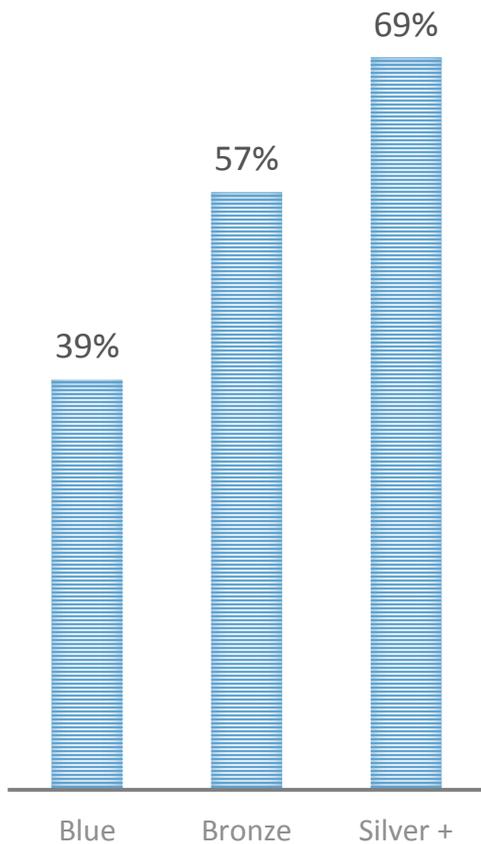


# 26% increase in health screenings between 2011 and 2013

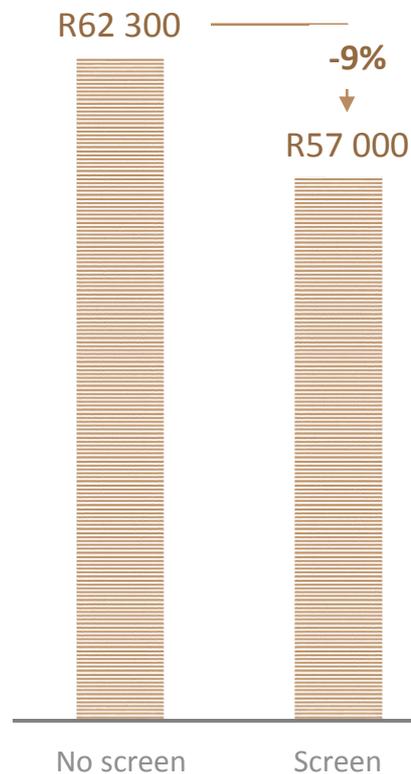


## Screening picks up cancer cases earlier and reduces costs of treatment

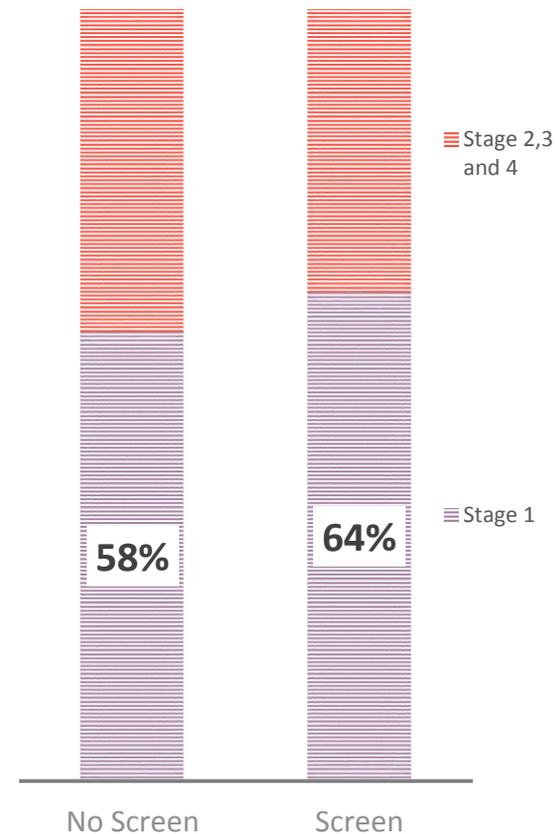
Proportion of members undertaking screening



Average cost per cancer case



Cancer stage at diagnosis



2

# New Discovery Wellness experience for Discovery Health Medical Scheme members at work



Measures **15** health metrics in **12** minutes

## Benefits of a successful corporate wellness strategy

- 1 Reduced absenteeism – **15%** fewer sick days
- 2 Lower healthcare costs – **18%** lower claims costs
- 3 Improved productivity – **6.5%** increased productivity

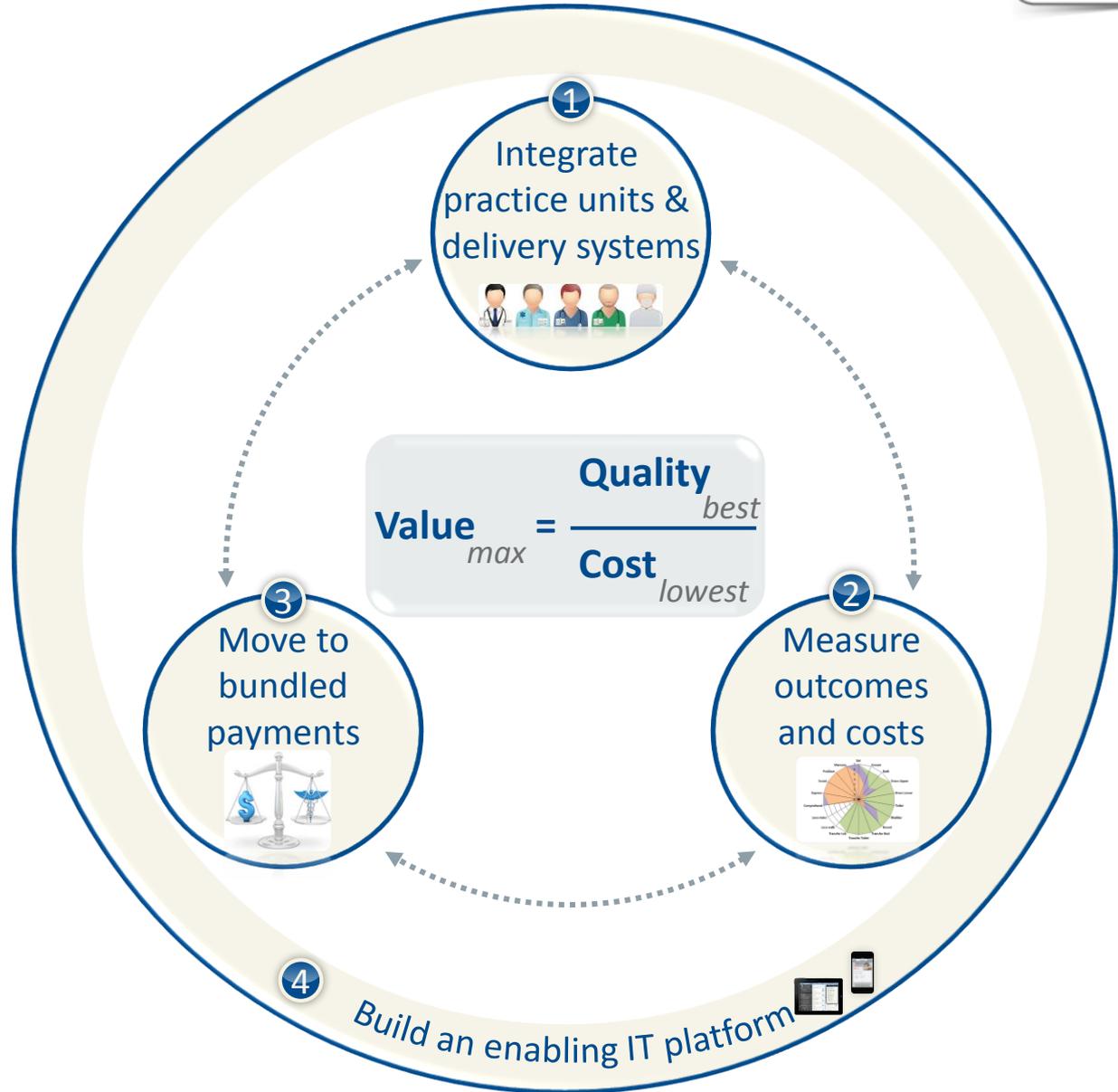


3

Build a **Discovery healthcare system**  
that ensures  
**superior quality and value**  
for members

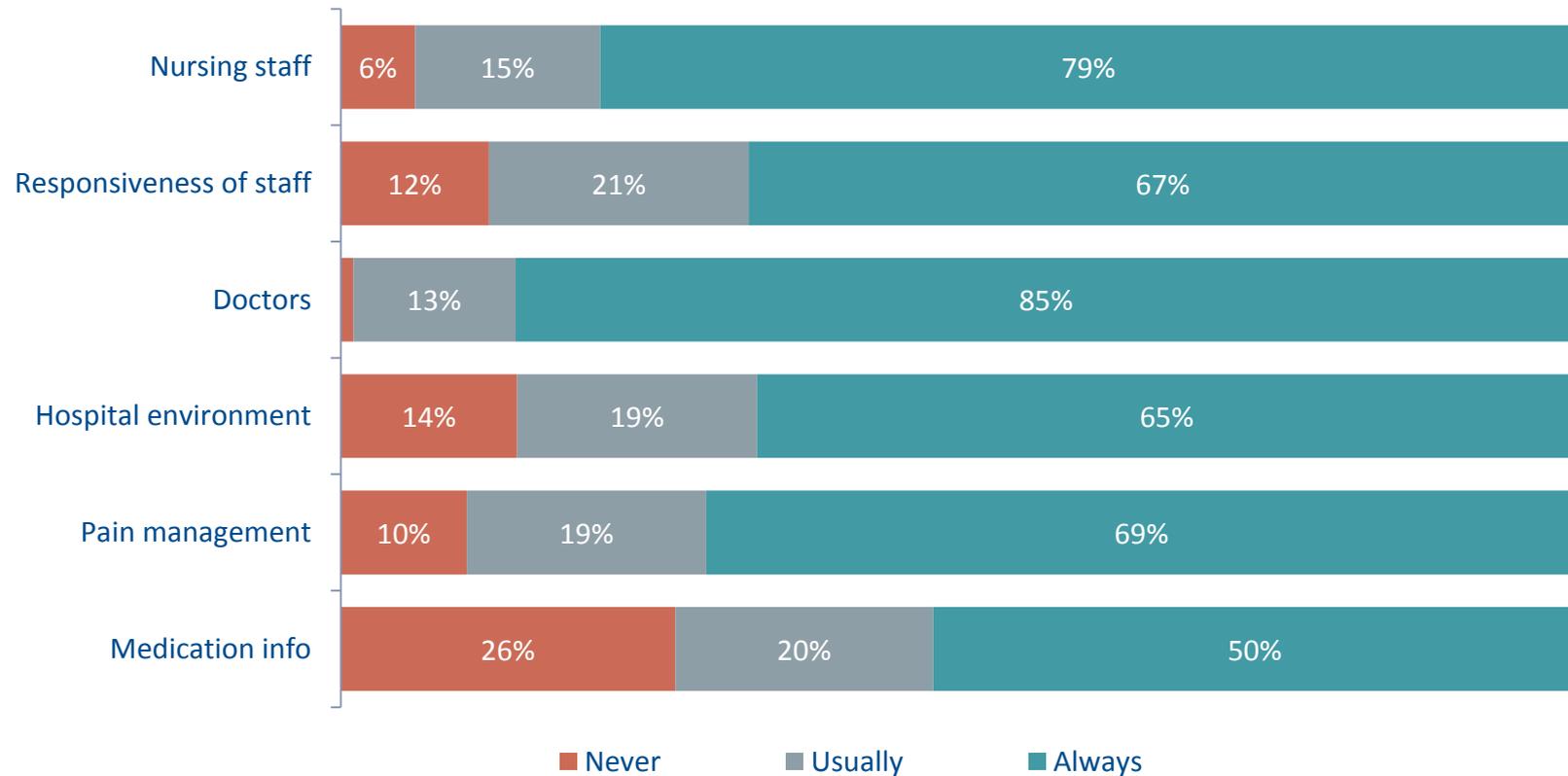


# Healthcare 2020: Patient centred care focused on quality and value



## Listening to the patient's voice is a key step to improve quality

### Discovery Health Patient Hospital Experience Survey



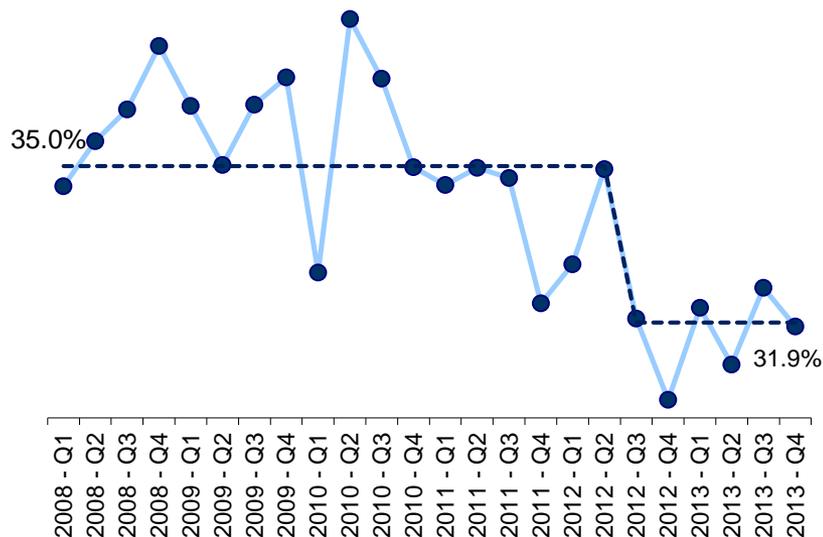
#### Since May 2010:

- >150 000 responses
- ~27% response rate

# Monitoring and improving quality of care in private hospitals

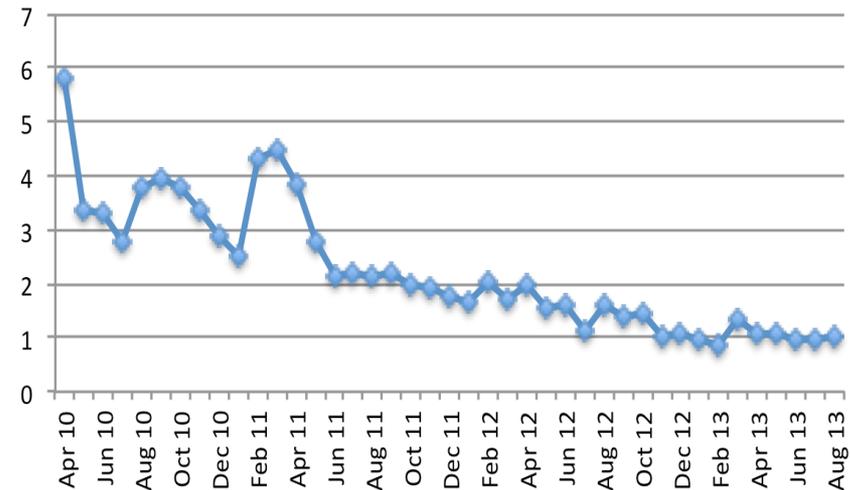
## Decrease in hospital antibiotic utilisation

Utilisation for extended treatment of 7 DDDs



## Decrease in hospital infections

CLABSI Rates / 1000 central days



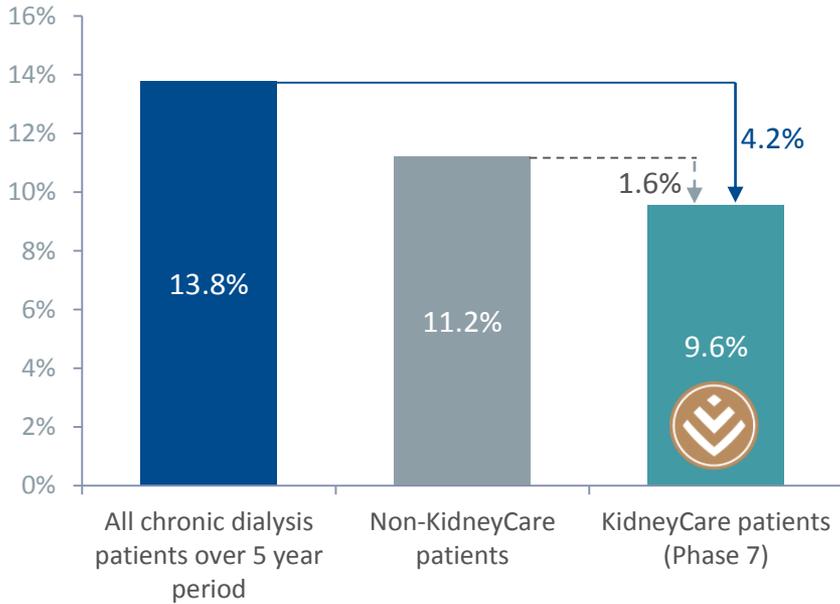
- CLABSI **doubles the hospital cost** and has a **12-25% mortality rate**
- Best Care Always prevented **~1 200 infections per year** and **saved 150 - 300 lives per year**

### 3 Discovery Health's *KidneyCare Programme*

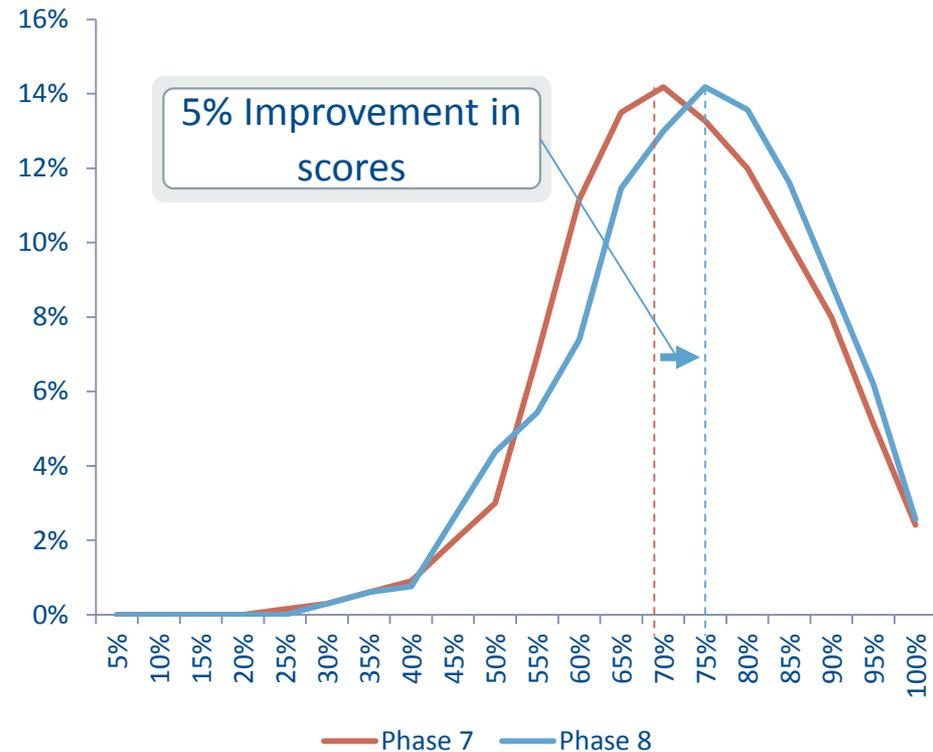


- ☑ **~4,200** kidney failure patients
- ☑ **~1,500** renal dialysis patients

Kidney disease mortality rate for Discovery Health Medical Scheme



Population distribution of average member scores





4

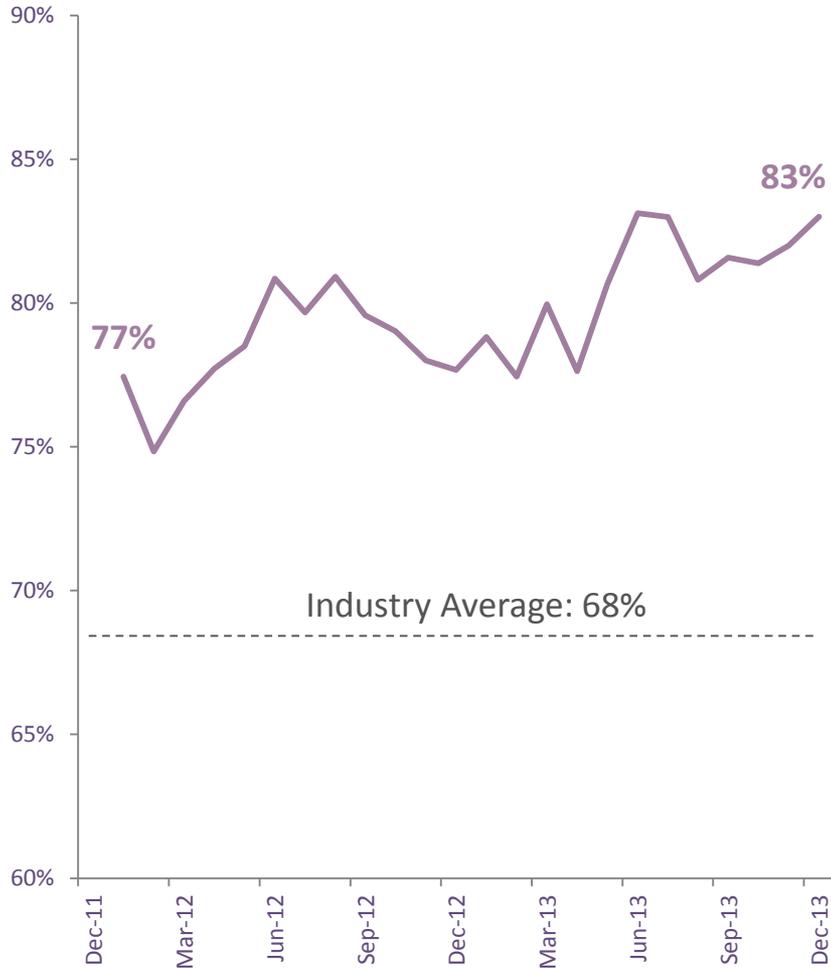
**Best in industry service experience**  
and **seamless patient journeys**  
through the healthcare system



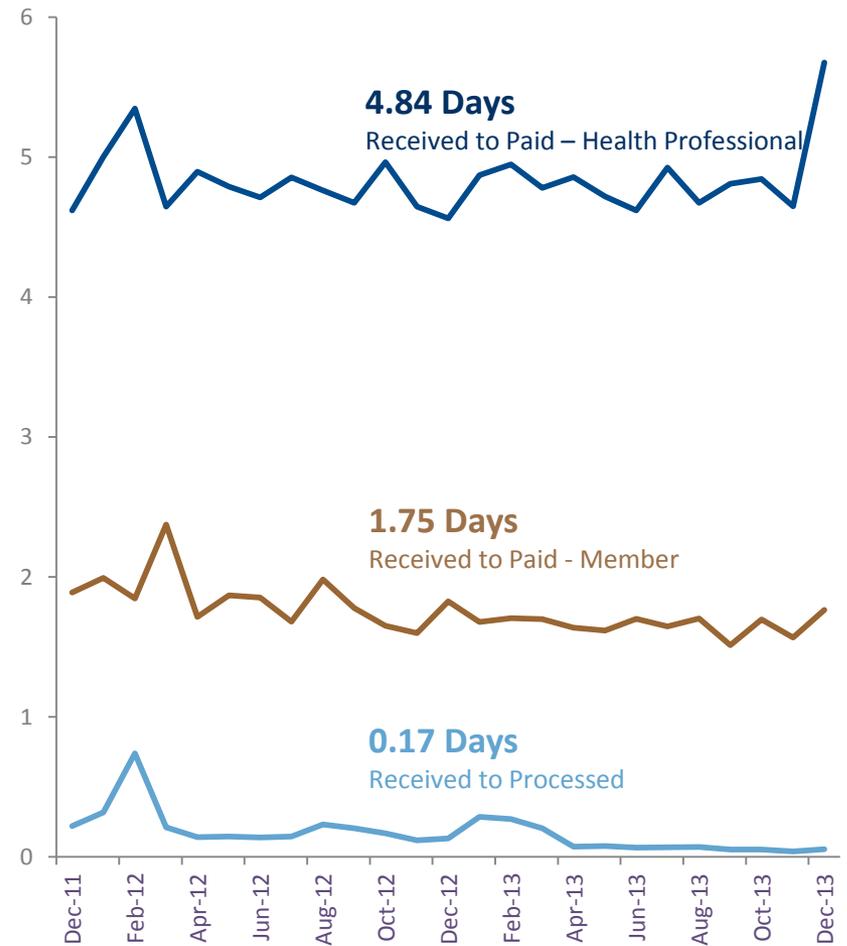
# 4 Industry leading service measures



## First Call Resolution rate outperforms industry averages



## Claims Efficiency



# Independent evaluations confirm Discovery Health's best in industry service performance

FIA Healthcare 'Product Supplier for the Year' since 2008

2008



2009



2010



2011



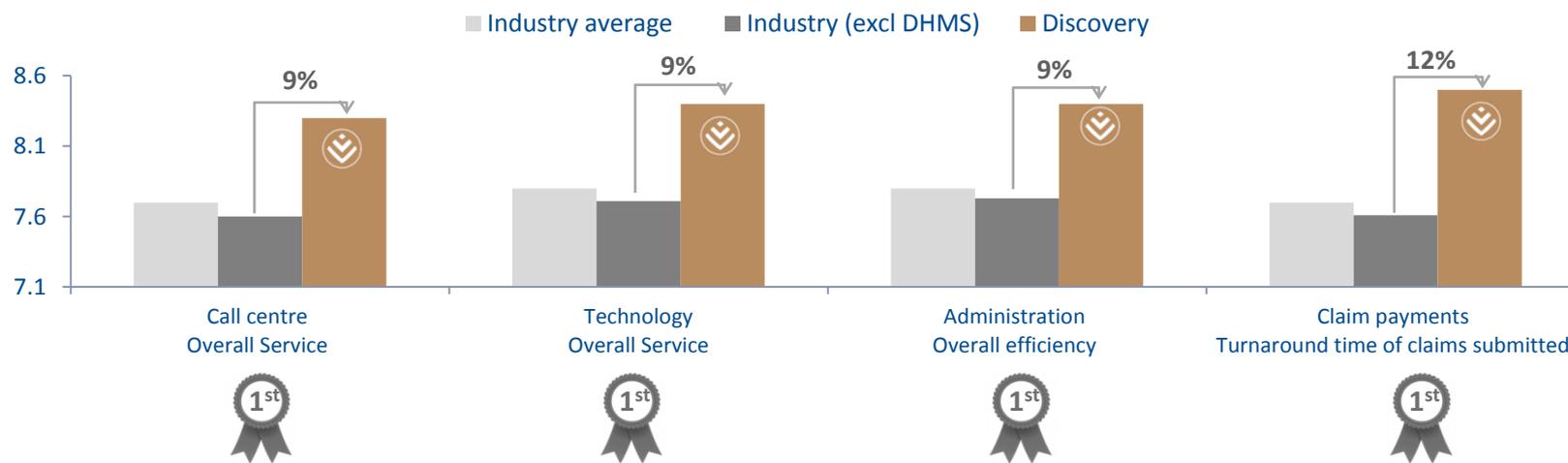
2012



2013



## Independent Survey Ratings



# Further progress on building a world class digital eco-system for members and doctors



# HealthID is a critical strategy to improve the quality and efficiency of care



## HealthID new features

- 📌 Doctor Notes
- 📌 Hospital summary
- 📌 Telemetric Diabetic Glucose Monitoring
- 📌 Vitality measures

## Current progress

- 📌 > 1,200 active doctor users (target of 3000)
- 📌 > 450,000 members consented

- 📍 Patient: **5 year old child** undergoing a dental procedure
- 📍 When asked, the parent did not mention any past surgeries
- 📍 *“When I unbuttoned the child's pyjama top, I was faced with a **large midline sternotomy scar**”*
- 📍 Parent: *“Oh, that! **I forgot about that...**He had some **surgery to his heart** when he was smaller. **A few actually.**”*
- 📍 *When I called the Cardiologist, he was on **leave** and **unreachable.***
- 📍 *To re-investigate would take **considerable time** and **expenditure***
- 📍 *Thankfully, the patient was a member of **Discovery Health Medical Scheme** and I **consented the Mom to HealthID.** I found the full **admission history** and a diagnosis of **Total Anomalous Pulmonary Venous Drainage.** We did the procedure with no complications, but **my mind was at ease** that I wasn't dealing with a single ventricle physiology!*

# 4 Extensive new features in Discovery Member App



Carry an electronic membership card



Personal health records



Take a photo of a claim and send it to us



Order door-to-door medicine delivery



Check medicine prices and alternatives



Find a healthcare provider near you



Track claims and medical spend



Request a document



View information on hospital procedures



Translate cover into one of five languages



Watch our educational videos



Contact us directly in international emergencies



- >250,000 member downloads
- 160,000 logins in May
- Listed as one of the "Best of 2013" iPhone apps in SA App Store



LaurenBatista  
@LaurenBatista



Follow

Well Done @Discovery\_SA on your excellent app for iPad! Submitting claims with a photo is pure genius!

Reply Retweet Favorite More

# Cleveland Clinic MyConsult online medical second opinion program

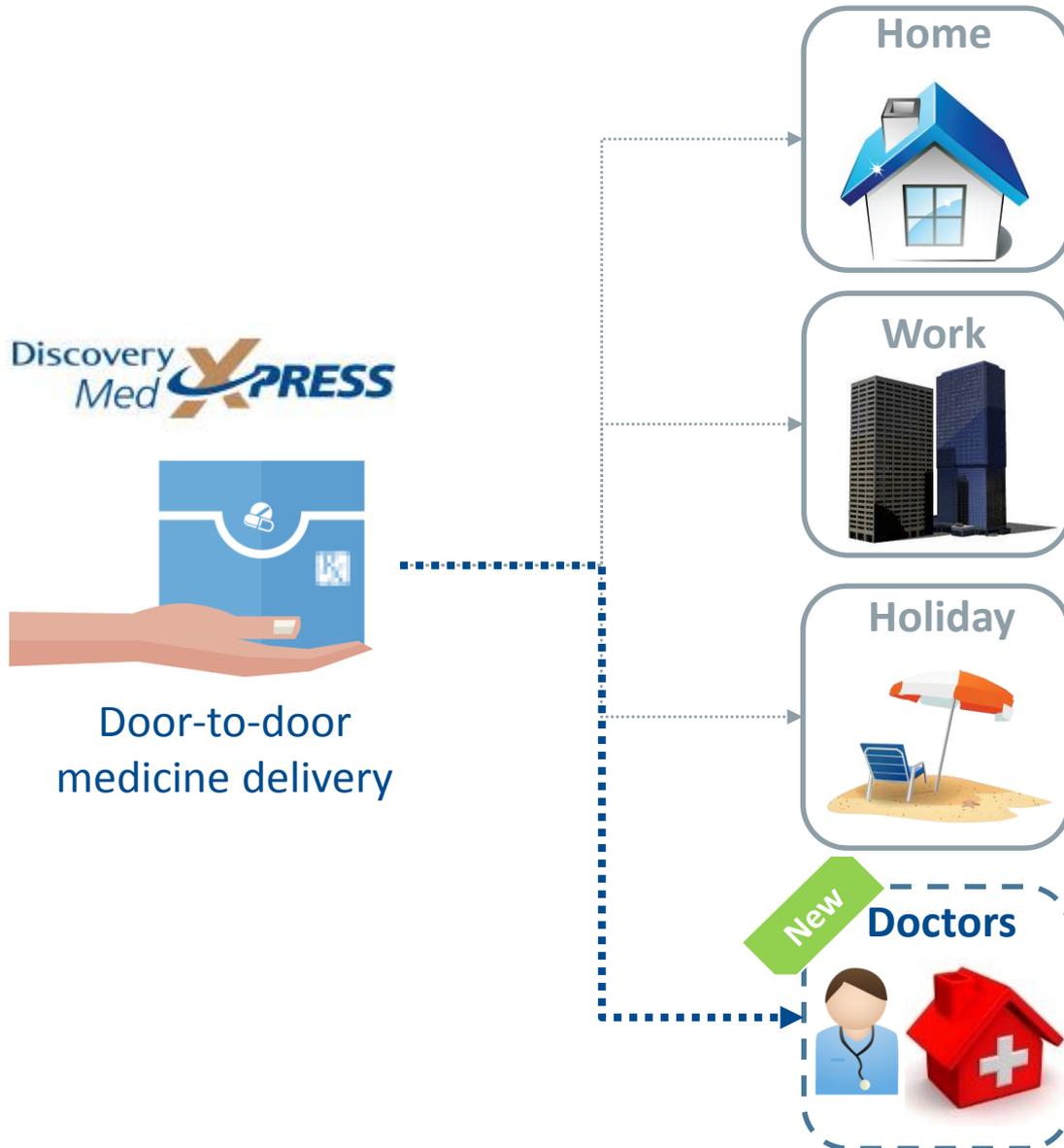
Providing members the opportunity to consult with experts from Cleveland Clinic



Giving doctors access  
to **second medical  
opinions** from  
**international  
healthcare experts**  
and members **peace  
of mind**



# Discovery MedXpress service expanding to specialised high cost medicines



## New service:

- Procurement, dispensing and delivery of **specialised high cost medicines**

## Benefits:

- Improved access
- High quality medicine delivery service
- Extending patients benefits
- Improved convenience to the practice
- Significant savings to medical schemes



5

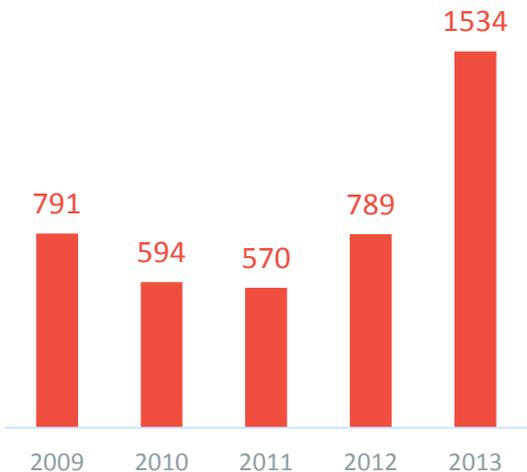
Ensure **outstanding financial performance** and **sustained healthy growth**



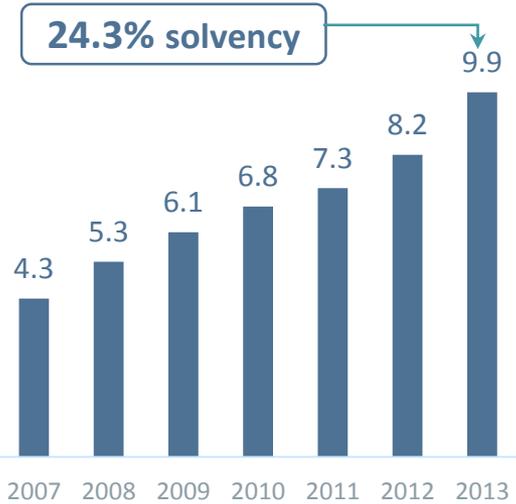
# Discovery Health Medical Scheme continues to deliver exceptional financial performance in all areas



## Healthy net surplus



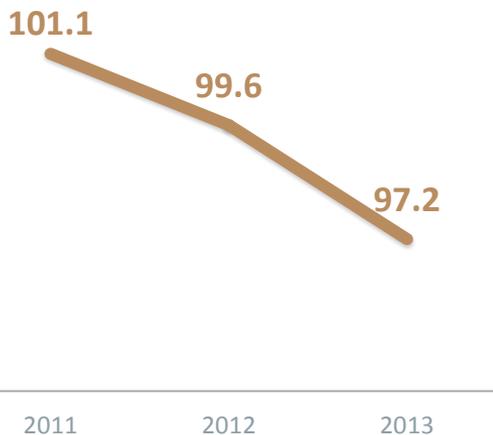
## Increasing reserves



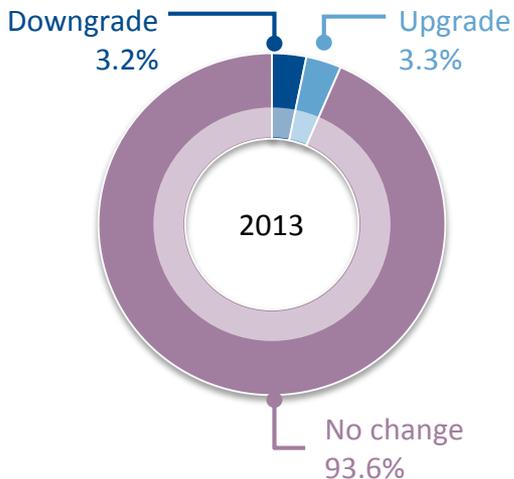
## Highest credit rating



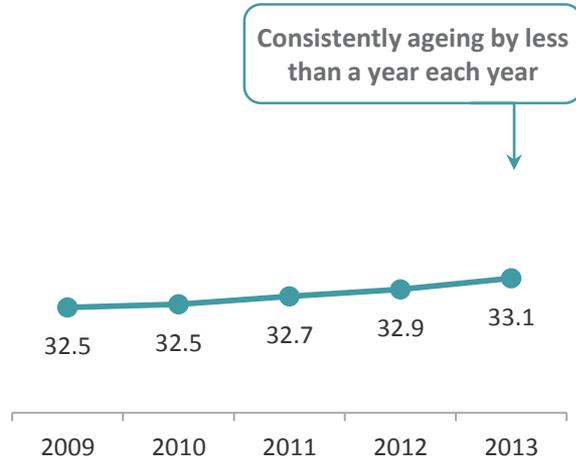
## Improving loss ratio, %



## Minimal plan movements



## Stable demographics

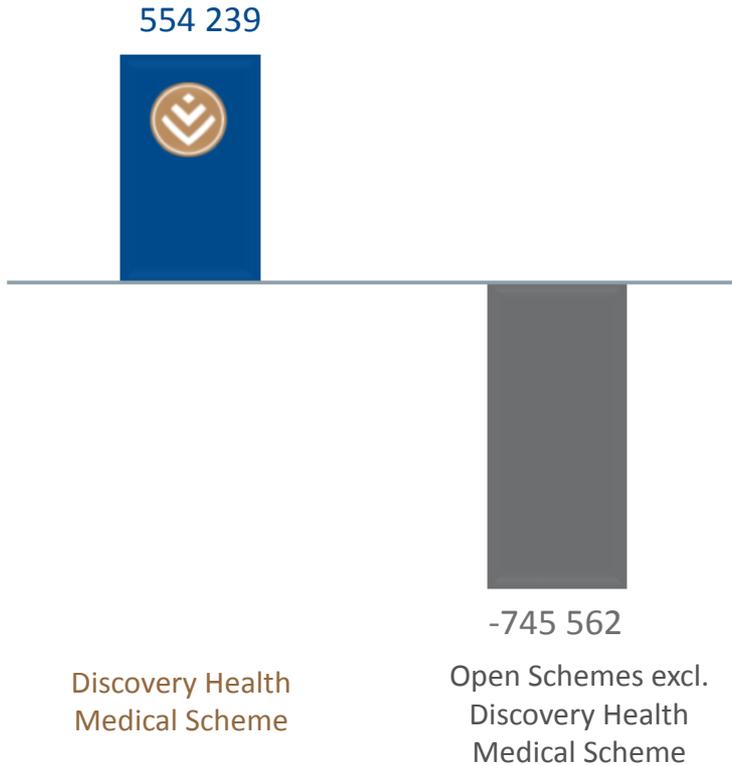


5

# Sustained high growth rates coupled with low lapse rates



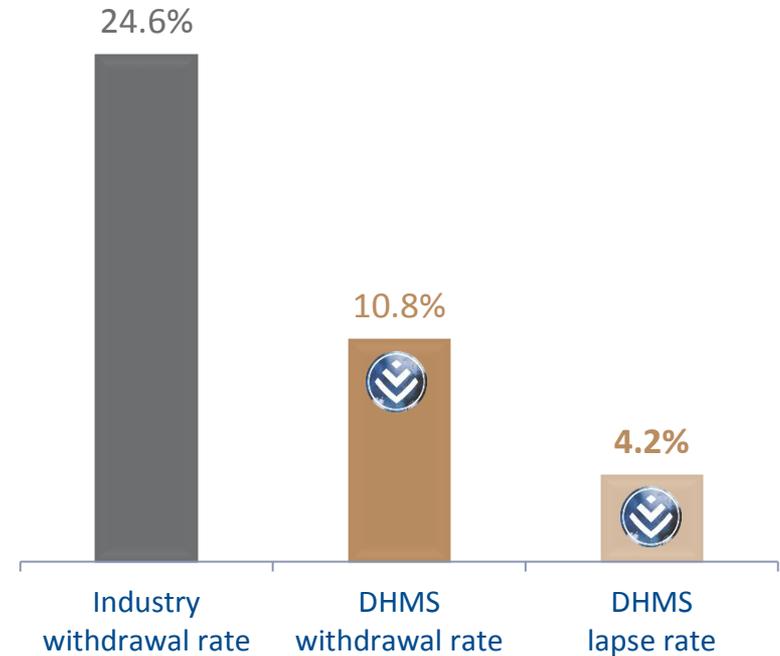
### Net growth in lives (31 Dec 2007 – 31 Dec 2012)



### Exceptional member growth

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

### Low withdrawals and lapses



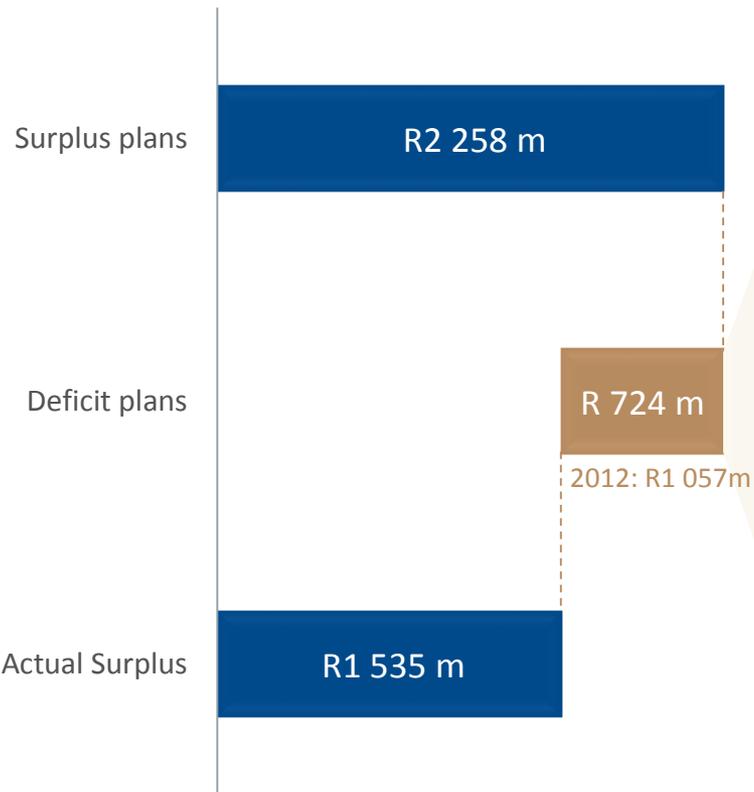
### Strong member retention

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

# 5 Addressing loss making benefit options

## 2013 Surplus and Deficit plans

## Significant improvement in loss making plans



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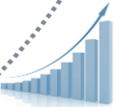
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*Vitality*





*the best of care*

— 2014 —

## Discovery Health presentation to Discovery Health Medical Scheme AGM

6<sup>th</sup> June 2014

Dr Jonathan Broomberg, CEO, Discovery Health

2014

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2. Minutes of the Discovery Health Medical Scheme 2013 Annual General Meeting – for approval

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3. 2013 Annual Financial Statements

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3.1 Financial performance of the Discovery Health Medical Scheme for the year ended 31 December 2013

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3.2 Discovery Health (Pty) Ltd strategic focus areas

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**3.3 Acceptance of Discovery Health Medical Scheme 2013 Annual Financial Statements**

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4. Governance

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4.1 2014 Trustee remuneration

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4.2 Confirmation of Trustee appointment

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4.3 Appointment of Auditors

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5. Motions

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6. General

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7. Closure

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# Discovery Health Medical Scheme Board of Trustee Appointment

## Mr. Giles Waugh



### **Qualification:**

FIA (Fellow of the Institute of Actuaries UK)

FASSA (Fellow of the Actuarial Society of South Africa)

### **Number of years experience :**

33 years – 6 in a Life Insurer, 9 consulting in UK and Europe,  
18 years consulting in South Africa

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Mr Waugh has worked as an actuarial consultant in the Insurance Industry in the UK, France, the Netherlands, South Africa and around the African continent. He was Chief Executive of SAAC when the company joined Deloitte in 2002 and led the Deloitte Actuarial practice until 2008. The Deloitte Actuarial practice is one of the larger practices in South Africa with over 20 qualified Actuaries. He left Deloitte Consulting in May 2010 and is now an independent Actuarial Consultant and also acts as an independent Board member.

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# Motions

The motion proposes that all trustees, both current and future declare on an oath binding on their conscience that:

1. They were duly elected by the members of the Discovery Health Medical Scheme with votes generated by them without the assistance of any related parties, especially parties of or related to the administrator  
  
and that
2. They have and will act in all matters solely in the interest of and for the benefit of the scheme and it's members

9 Sunny Road  
Glenhazel  
2192 Johannesburg  
South Africa  
Phone & Fax: 011 - 7861230

29<sup>th</sup> May 2014

**Discovery Health Medical Scheme**  
**ATTENTION: Mr. Milton STREAK**

**Subject: Motion for AGM**

**This motion proposes that all trustees, both current and future declare on an oath binding on their conscience that:**

1. They were duly elected by the members of the Discovery Health Medical Scheme with votes garnered by them without the assistance of any related parties, especially parties of or related to the administrator

and that

2. They have and will act in all matters solely in the interest of and for the benefit of the scheme and it's members.

Thanks,

Jonathan EGDES  
Membership # 023544210

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3. 2013 Annual Financial Statements

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3.2 Discovery Health (Pty) Ltd strategic focus areas

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3.3 Acceptance of Discovery Health Medical Scheme 2013 Annual Financial Statements

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4. Governance

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4.1 2014 Trustee remuneration

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4.2 Confirmation of Trustee appointment

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5. Motions

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**6. General**

7. Closure

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FOR THE  
BENEFIT OF OUR  
MEMBERS //

2014 Annual General Meeting  
6<sup>th</sup> June 2014