

# For the benefit of our members

## Highlights of the Discovery Health Medical Scheme's Results for 2015



This document contains highlights of the Scheme's results for the year ended 2015, extracted from the 2015 Integrated Annual Report. The financial information has been extracted from and is in agreement with the Annual Financial Statements audited by PricewaterhouseCoopers Inc.

The full 2015 Integrated Annual Report is available at [www.discovery.co.za/portal/individual/dhms-financials](http://www.discovery.co.za/portal/individual/dhms-financials).

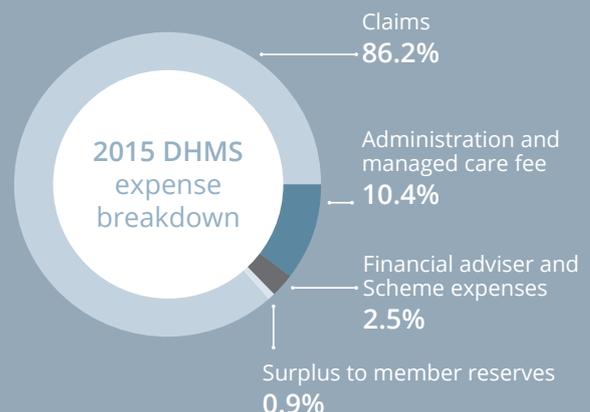
## Highlights

AA+	25.98%	53%	5%	3.24%	33.86
Independent credit rating for claims-paying ability (2014: AA+)	Statutory solvency level (2014: 25.76%)	Share of open scheme market (2014: 53%)	Annualised lapse rate (2014: 4.5%)	Average growth in principal members (2014: 3.51%)	Average age of beneficiaries at year end (2014: 33.58)
2.12	2.62%	7.79%	6.01%	8.55%	
Average family size (2014: 2.15)	Managed care as % of gross contributions (2014: 2.67%)	Admin fees as % of gross contributions (2014: 7.98%)	Average return on investments (2014: 8.21%)	Pensioner ratio (2014: 8.17%)	

## We exist for our members.

The core purpose of the Discovery Health Medical Scheme (DHMS) is to achieve, in a sustainable manner, the best possible value for its members, which comprises the benefits, quality of care and service levels to members relative to their contributions to the Scheme.

The Scheme's commitment to its members and its high levels of efficiency are evidenced by the fact that 87% of contributions received are used for members' direct benefit by funding claims and reserves (to meet regulatory solvency requirements) and in accordance with the fundamental operating principles of a non-profit organisation. The remainder of the contributions are used to fund activities for the support and benefit of members such as innovation, administration, managed care, financial advisers and the daily operations of the Scheme.





## Our Principal Officer's review of the year

Discovery Health Medical Scheme continues to be the industry leader in the funding of evidence-based, cost-effective, quality healthcare and in supporting the enhancement of the healthcare system for Scheme members and stakeholders.

South Africa's economy grew by only 1.3% in 2015, down from 1.5% in 2014 and 2.2% in 2013, according to preliminary estimates of real gross domestic product (GDP) published by Stats SA. The Rand lost 35% of its value against the US Dollar in 2015 and consumers have had to limit spending as prices, including basic food and household products, climbed.

During 2015, the Scheme's total risk contribution income was R40.1 billion and total risk claims were R33.3 billion. After accounting for non-healthcare expenses and other operating expenses, the Scheme achieved a strong operating result of R507 million for 2015. Investment income (net of return on savings trust assets) was R762 million, contributing to a net surplus of R1.3 billion. Member reserves increased to a significant R12.9 billion, with a solvency ratio of 26% of total annual contribution income. This significant reserve level further enhances the claims-paying ability of the Scheme, which protects its members from the potentially devastating and unexpected expenses associated with healthcare, and is a source of great pride for us. In recognition of this ability to pay claims, independent credit rating agency Global Credit Ratings Co confirmed the Scheme's AA+ credit rating. This is the 15th consecutive year the Scheme has achieved this rating, the highest a medical scheme can attain in South Africa. This independent endorsement means our members can rest assured that the Scheme

is able to fund their healthcare expenses reliably and sustainably for the foreseeable future. To further emphasise the value that the Scheme provides to its members, the ten highest member claims in 2015 amounted to R43 million, and over 5 000 members each claimed more than R500 000 during the year. To put this into perspective, for every R1 of member contributions, R0.86 went towards the funding of member claims. Any surplus funds were transferred to member reserves, in accordance with the fundamental operating principle of a non-profit organisation.

Non-healthcare expenses continue to decline in line with the Scheme's strategic objectives. The Board, with the support of the Non-healthcare Expenses Committee, has maintained its strong focus on ensuring that non-healthcare expenses remain on a downward trajectory. Annual administration fee increases have been contained to consumer price inflation (CPI) minus 0.5% in 2015 and reduced to 7.79% of gross annual contribution income from 7.98% in 2014. Administration fees as a percentage of gross annual contribution income are now significantly below the industry average for open medical schemes.

Continuous innovation and the provision of quality healthcare at lower cost have supported the Scheme's consistently excellent membership growth, while the rest of the open scheme market has been shrinking. This has increased the Scheme's share of the open medical scheme market from 15.4% in 2000 to approximately 53% in 2015. The Scheme achieved net beneficiary growth of 2.16% in 2015 from an already high base to 2 691 852 beneficiaries (at 31 December 2015). In addition, an exceptionally low lapse rate of 5% indicates that members continue to find value in the Scheme.

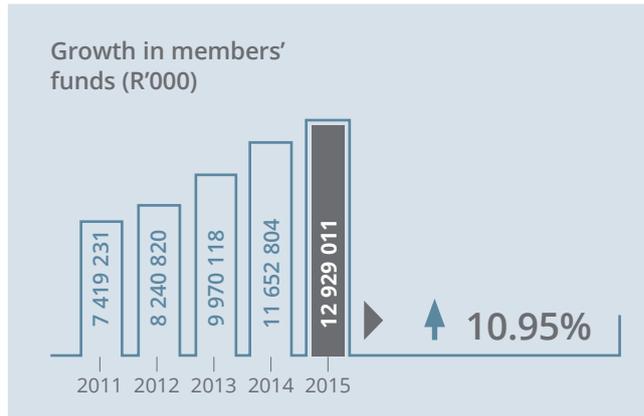
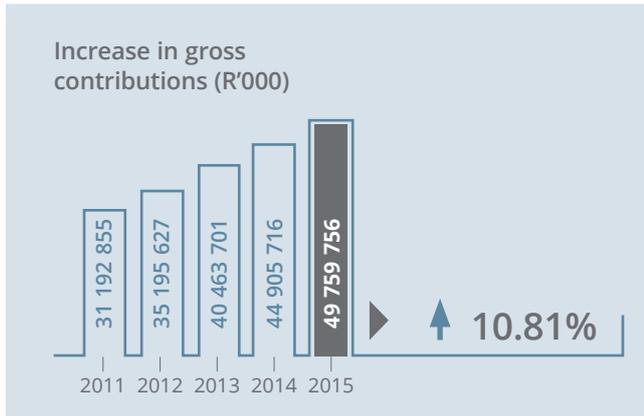
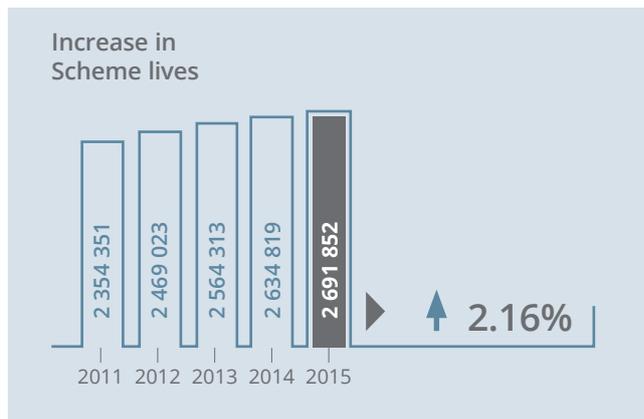
Analysis has shown that the Scheme remains the most affordable across the entire spectrum of healthcare plans in the open medical scheme market on a like-for-like basis. On average, contributions are 14%

lower, based on principal member contribution rates, than those of the next nine competitor medical schemes in the open medical scheme market.

The Vested® outsourcing business model which governs the relationship between the Scheme and its Administrator and Managed Care provider, Discovery Health (Pty) Ltd, continues to yield exceptional value for the Scheme and its members. This model has enabled an unmatched record of innovation, high levels of member satisfaction, more focused and sustainable clinical risk management solutions, continued membership growth, enhanced stakeholder relations and improved outsourcing governance. An independent review by Deloitte Consulting indicated that for every R1 spent on administration and managed care fees paid to Discovery Health in 2014, beneficiaries of the Scheme derived an additional R1.69 in value.

To achieve its purpose, the Scheme must manage its relationships with all of its stakeholders in a way that balances their expectations and protects the long-term sustainability of the Scheme, which is a constant challenge. The Scheme's approach is to engage on the basis that working towards a common purpose is paramount, notwithstanding the differing needs of stakeholders in some instances. The Scheme conducts all its interactions with stakeholders in good faith, with the common purpose of optimising value and ensuring access to affordable, quality healthcare for its members, now and in the future.

MILTON STREAK  
PRINCIPAL OFFICER



## Extracts from the audited Annual Financial Statements

### Statement of Financial Position as at 31 December 2015

R'000	2015	2014
<b>ASSETS</b>		
<i>Non-current assets</i>	<b>1 071</b>	1 511
Long-term Employee Benefit Plan asset	<b>1 071</b>	1 511
<i>Current assets</i>	<b>18 897 501</b>	16 785 039
Financial assets at fair value through profit or loss	<b>11 399 332</b>	9 474 520
Derivative financial instruments	-	22 700
Trade and other receivables	<b>1 632 586</b>	1 604 550
Cash and cash equivalents		
- Personal Medical Savings Account trust assets	<b>3 667 456</b>	3 188 789
- Medical Scheme assets	<b>2 198 127</b>	2 494 480
<b>Total assets</b>	<b>18 898 572</b>	16 786 550
<b>FUNDS AND LIABILITIES</b>		
<i>Members' funds</i>	<b>12 929 011</b>	11 652 804
Accumulated funds	<b>12 929 011</b>	11 652 804
<i>Current liabilities</i>	<b>5 969 561</b>	5 133 746
Outstanding claims provision	<b>985 087</b>	845 795
Derivative financial instruments	<b>65 210</b>	5 969
Personal Medical Savings Account trust liabilities	<b>3 736 659</b>	3 250 743
Trade and other payables	<b>1 182 605</b>	1 031 239
<b>Total funds and liabilities</b>	<b>18 898 572</b>	16 786 550

Extracts from the audited Annual Financial Statements *continued***Statement of Comprehensive Income**

for the year ended 31 December 2015

R'000	2015	Restated 2014
<b>Risk contribution income</b>	<b>40 066 741</b>	36 111 000
<b>Relevant healthcare expenditure*</b>	<b>(34 503 627)</b>	(30 692 168)
Net claims incurred	(33 255 417)	(29 552 978)
Claims incurred	(33 326 153)	(29 652 737)
Third-party claims recoveries	70 736	99 759
Accredited managed healthcare services (no risk transfer)*	(1 305 790)	(1 201 155)
Net income on risk transfer arrangements	57 580	61 965
Risk transfer arrangement fees	(344 093)	(325 975)
Recoveries from risk transfer arrangements	401 673	387 940
<b>Gross healthcare result*</b>	<b>5 563 114</b>	5 418 832
Broker service fees	(982 874)	(918 871)
Expenses for administration	(3 874 896)	(3 585 641)
Other operating expenses	(198 387)	(161 129)
<b>Net healthcare result</b>	<b>506 957</b>	753 191
<b>Other income</b>	<b>1 033 020</b>	983 126
Investment income	1 018 998	859 112
Net gains on financial assets at fair value through profit or loss	6 504	116 457
Sundry income	7 518	7 557
<b>Other expenditure</b>	<b>(263 837)</b>	(199 509)
Expenses for asset management services rendered	(31 578)	(17 704)
Interest paid	(232 259)	(181 805)
<b>Net surplus for the year</b>	<b>1 276 140</b>	1 536 808
<b>Other comprehensive income</b>	<b>-</b>	-
<b>Total comprehensive income for the year</b>	<b>1 276 140</b>	1 536 808

\* See Note 12 to the Annual Financial Statements for explanatory note on change of disclosure.

**Statement of Changes in Funds and Reserves**

for the year ended 31 December 2015

R'000	2015 Accumulated funds	2014 Accumulated funds
Balance at beginning of the year	11 652 804	9 970 118
Total comprehensive income for the year	1 276 140	1 536 808
Reserves transferred from other medical schemes	67	145 878
<b>Total member funds end of the year</b>	<b>12 929 011</b>	11 652 804

## Statement of Cash Flows

for the year ended 31 December 2015

R'000	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash flows from operations before working capital changes	555 793	799 556
Working capital changes:		
Increase in trade and other receivables	(99 229)	(160 458)
Increase in outstanding claims provision	139 292	33 605
Increase in Personal Medical Savings Accounts	485 916	474 023
Increase in trade and other payables	151 366	15 689
<b>Cash generated by operations</b>	<b>1 233 138</b>	<b>1 162 415</b>
Purchases of financial instruments	(6 176 902)	(3 448 243)
Proceeds from sale of financial instruments	4 339 081	1 737 654
Cash transferred from other medical schemes	67	104 624
Interest received	981 460	835 728
Dividend income	37 729	23 617
Interest paid	(232 259)	(181 805)
<b>Net cash flows from operating activities</b>	<b>182 314</b>	<b>233 990</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>182 314</b>	<b>233 990</b>
Cash and cash equivalents at beginning of year	5 683 269	5 449 279
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>5 865 583</b>	<b>5 683 269</b>
<b>Cash and cash equivalents comprise:</b>		
Personal Medical Savings Accounts trust assets	3 667 456	3 188 789
Medical Scheme assets	2 198 127	2 494 480
	<b>5 865 583</b>	<b>5 683 269</b>

## Solvency

Legislation requires the Scheme to maintain accumulated funds of 25% of gross annual contributions for the accounting period under review, in terms of Regulation 29(2) of the Medical Schemes Act (the Act).

At 31 December 2015 the Scheme's solvency level of 25.98% (2014: 25.76%) of gross annual contributions was R488 million (2014: R340 million) more than the statutory solvency requirement of 25%, and exceeded the business plan level of 25.4% by R289 million (2014: 24.3% by R655 million).

Calculation of regulatory capital requirement	31 Dec 2015 R'000	31 Dec 2014 R'000
Total members' funds	12 929 011	11 652 804
Less cumulative net gain on re-measurement of investments	-	(85 833)
Total net assets (Regulation 29)	12 929 011	11 566 971
Gross annual contributions	49 759 756	44 905 716
Solvency ratio	25.98%	25.76%
Average accumulated funds per member at year end	R10 360	R9 639



The full 2015 Integrated Annual Report is available at [www.discovery.co.za/portal/individual/dhms-financials](http://www.discovery.co.za/portal/individual/dhms-financials)

Extracts from the audited Annual Financial Statements *continued*

## Financial assets at fair value through profit or loss

R'000	2015	2014
<b>The Scheme's financial assets at fair value through profit or loss have been summarised as follows:</b>		
Current assets	11 399 332	9 474 520
– Offshore bonds	1 335 137	1 089 600
– Equities	1 415 647	1 026 342
– Yield-enhanced bonds	3 058 012	996 091
– Inflation-linked bonds	464 574	343 737
– Money market instruments	5 125 962	6 018 750
	11 399 332	9 474 520
Reconciliation of the balance at the beginning of the year to the balance at the end of the year:		
At the beginning of the year	9 474 520	7 607 085
Acquisitions	6 176 902	3 447 332
Disposals	(4 465 329)	(1 745 608)
Net gains on revaluation of financial assets at fair value through profit or loss	213 239	165 712
<b>At the end of the year</b>	<b>11 399 332</b>	<b>9 474 520</b>

A register of investments is available for inspection at the registered office of the Scheme.

## Personal Medical Savings Account trust liabilities

(Personal Medical Savings Account trust monies managed by the Scheme on behalf of its members)

Balance on Personal Medical Savings Accounts at the beginning of the year	3 250 743	2 776 720
Add:		
Personal Medical Savings Accounts contributions received or receivable	9 693 015	8 794 716
For the current year	9 693 015	8 794 716
Interest on Personal Medical Savings Accounts	232 141	181 687
Transfers received from other medical schemes	19 815	14 231
Less:		
Claims paid to or on behalf of members	(9 199 956)	(8 301 351)
Refunds on death or resignation	(259 099)	(215 260)
<b>Balance due to members on Personal Medical Savings Accounts held in trust at the end of the year</b>	<b>3 736 659</b>	<b>3 250 743</b>

It is estimated that claims to be paid out of members' Personal Medical Savings Accounts in respect of claims incurred in 2015 but not reported will amount to approximately R73 978 313 (2014: R53 373 459).

As at 31 December 2015 the carrying amount of the members' Personal Medical Savings Accounts were deemed to be equal to their fair values, which is the amount payable on demand. The amounts were not discounted, due to the demand feature.

Interest is allocated on these Personal Medical Savings Account balances monthly in accordance with Circular 38 of 2011 and Circular 5 of 2012 issued by the Council for Medical Schemes. The Scheme does not charge interest on negative (overdrawn) Personal Medical Savings Account balances.

## Cash and cash equivalents – Personal Medical Savings Account trust assets

R'000	2015	2014
(Monies managed by the Scheme on behalf of members)		
<b>PERSONAL MEDICAL SAVINGS ACCOUNT TRUST PORTFOLIO</b> (Managed by Momentum Asset Management)		
<b>Balance at beginning of the year</b>	<b>1 594 575</b>	1 309 747
Net additional Investments	120 220	193 859
Interest Income	118 267	91 645
Fair value adjustments	(75)	(676)
<b>Balance at the end of the year</b>	<b>1 832 987</b>	1 594 575
<b>PERSONAL MEDICAL SAVINGS ACCOUNT TRUST PORTFOLIO</b> (Managed by Taquanta Asset Managers (Pty) Ltd)		
<b>Balance at beginning of the year</b>	<b>1 594 214</b>	1 309 558
Net additional Investments	127 524	198 056
Interest Income	112 731	86 818
Fair value adjustments	-	(218)
<b>Balance at the end of the year</b>	<b>1 834 469</b>	1 594 214
<b>Total Personal Medical Savings Account trust assets</b>	<b>3 667 456</b>	3 188 789

These funds represent members' Personal Medical Savings Account assets managed by the Scheme on behalf of its members. As required by Circular 38 of 2011 and Circular 5 of 2012 issued by the Council for Medical Schemes, these assets have been invested separately from the Scheme's assets. The difference between total Personal Medical Savings Account trust assets and Personal Medical Savings Account trust liabilities is reconciled monthly and arises from timing of cash flows to and from the portfolios. For the year under review the average rate earned on the Personal Medical Savings Account trust assets was 6.91% (2014: 6.21%).



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## Operational statistics per benefit plan

2015	EXECUTIVE	CLASSIC COMP	CLASSIC CORE	CLASSIC SAVER	CLASSIC PRIORITY	ESSENTIAL COMP
Number of members at the end of the accounting period	11 262	163 889	54 057	258 175	100 080	20 388
Number of beneficiaries at the end of the accounting period	25 149	376 774	115 775	565 252	230 166	40 810
Average number of members for the accounting period	11 468	167 127	53 274	255 914	101 008	20 783
Average number of beneficiaries for the accounting period	25 698	385 422	114 418	559 621	231 898	41 770
Average risk contributions per member per month (R')	6 037	4 800	2 759	2 633	3 308	4 182
Average risk contributions per beneficiary per month (R')	2 694	2 081	1 285	1 204	1 441	2 081
Average net claims incurred per member per month (R')	7 927	4 660	1 915	1 902	2 617	3 353
Average net claims incurred per beneficiary per month (R')	3 538	2 021	892	870	1 140	1 668
Average administration costs per member per month (R')	285	285	285	285	285	285
Average administration costs per beneficiary per month (R')	127	124	133	130	124	142
Average managed care: Management services per member per month (R')	87	87	87	87	87	87
Average managed care: Management services per beneficiary per month (R')	39	38	41	40	38	43
Average family size at 31 December	2.23	2.30	2.14	2.19	2.30	2.00
Loss ratio (%)	133%	99%	73%	76%	82%	83%
Total non-healthcare expenses as a percentage of risk contributions (%)	6%	8%	13%	14%	11%	9%
Average non-healthcare expenses per member per month	377	378	362	371	377	378
Average non-healthcare expenses per beneficiary per month	168	164	168	170	164	188
Average age of beneficiaries (years)	42.49	39.74	38.54	32.19	35.94	44.59
Pensioner ratio (beneficiaries over 65 years)	19%	15%	14%	6%	10%	24%
Average relevant healthcare expenses per member per month	8 043	4 774	2 002	1 989	2 704	3 464
Average relevant healthcare expenses per beneficiary per month	3 590	2 070	932	910	1 178	1 724
Net surplus/(deficit) per benefit plan	(320 737)	(601 499)	285 423	993 912	336 804	97 722

\* In line with Circular 56 of 2015, accredited managed care was reclassified from non-healthcare expenses to relevant healthcare expenses (refer note 12 to the Annual Financial Statements for further detail). Accordingly, comparative operational statistics were restated to allow for appropriate comparison.

ESSENTIAL CORE	ESSENTIAL SAVER	ESSENTIAL PRIORITY	COASTAL SAVER	COASTAL CORE	KEYCARE PLUS	KEYCARE CORE	KEYCARE ACCESS	CLASSIC COMP ZERO MSA	TOTAL
35 434	97 816	8 344	181 052	87 022	229 510	14 854	5 241	753	<b>1 267 877</b>
74 106	205 605	17 651	412 879	191 498	403 636	23 320	7 531	1 700	<b>2 691 852</b>
33 075	93 255	8 444	179 275	85 046	219 615	14 083	4 913	751	<b>1 248 031</b>
69 820	197 093	17 798	409 467	187 726	387 746	22 132	7 152	1 685	<b>2 659 445</b>
2 192	2 203	2 990	2 224	2 136	1 443	1 219	872	4 805	<b>2 675</b>
1 039	1 042	1 419	974	968	818	776	599	2 141	<b>1 255</b>
1 457	1 355	1 843	1 820	1 679	1 396	541	444	4 406	<b>2 221</b>
690	641	874	797	760	791	344	305	1 963	<b>1 042</b>
285	285	285	285	285	153	82	98	285	<b>259</b>
135	135	135	125	129	87	52	68	127	<b>121</b>
87	87	87	87	87	87	87	87	87	<b>87</b>
41	41	41	38	40	49	55	60	39	<b>41</b>
2.09	2.10	2.12	2.28	2.20	1.76	1.57	1.44	2.26	<b>2.12</b>
70%	65%	65%	86%	83%	99%	52%	64%	95%	<b>86%</b>
16%	16%	12%	17%	17%	14%	11%	16%	8%	<b>13%</b>
356	362	372	368	357	208	131	139	374	<b>338</b>
169	171	177	161	162	118	83	95	167	<b>158</b>
35.93	30.71	35.20	32.98	36.78	28.68	34.17	30.43	38.15	<b>33.86</b>
10%	5%	10%	6%	11%	5%	10%	5%	12%	<b>9%</b>
1 544	1 442	1 930	1 907	1 766	1 436	628	560	4 543	<b>2 304</b>
731	682	916	835	800	813	400	385	2 024	<b>1 081</b>
136 190	504 202	74 927	(84)	65 198	(394 861)	86 251	13 236	(544)	<b>1 267 140</b>



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## Matters of non-compliance for the year ended 31 December 2015

The CMS issued Circular 11 of 2016 (the Circular) dealing with issues to be addressed in the audited financial statements of medical schemes. The Circular requires that all instances of non-compliance be disclosed in the audited financial statements, irrespective of whether the auditor considers them to be material or not.

During the year the Scheme did not comply with the following Sections and Regulations of the Act.

### Statutory scheme solvency

Under the Act, medical schemes are required to hold a minimum of 25% of gross annual contribution income as a reserve or accumulated funds (also known as the solvency ratio). The solvency ratio is a measure of a scheme's ability to absorb unexpected changes in claims experience, demographics (e.g. average age, chronic profile, etc.) and legislative environments, and therefore reflects a scheme's financial strength.

During 2015, the Scheme's solvency level dipped below 25% during January, February and November. The reason for the drop below 25% during January and February was attributable to the impact of annual contribution increases (schemes are required to hold reserves equal to annualised inflation-adjusted contributions from the first day of the financial year). Negative claims experience during November caused the solvency ratio to drop below 25%.

At 31 December 2015, the Scheme's accumulated funds expressed as a percentage of gross annual contributions was 25.98% (2014: 25.76%) which exceeds the statutory solvency requirement of 25% and the approved phase-in-solvency level of 25.4%, as set out in the business plan submitted to the CMS.

### Sustainability of benefit plans

In terms of Section 33 (2) of the Act, each benefit plan is required to be self-supporting in terms of membership and financial performance, and be financially sound.

For the year ended 31 December 2015 the following plans did not comply with Section 33 (2):

Benefit plan	Net healthcare result (R'000)	Net deficit (R'000)
Executive	(327 852)	(320 737)
Classic Comprehensive	(705 166)	(601 499)
Classic Comprehensive Zero MSA	(1 007)	(544)
Coastal Saver	(110 686)	(84)
KeyCare Plus	(529 518)	(394 861)

The performance of all benefit options is monitored on a continuous basis with a view to improving their financial outcomes, and we continually evaluate different strategies to address the deficits in these plans.

When structuring benefit options, the financial sustainability of all the options is considered. The different financial positions reflect the different disease burdens in each option, among many other factors. The Scheme's strategy on the sustainability of plans has to balance short- and long-term financial considerations, fairness to both healthy and sick members, and continued affordability of cover for members with different levels of income and healthcare needs. While the Scheme is committed to complying wherever possible with the applicable legislation, it also focuses intensively on the overall stability and financial position of the Scheme as a whole and not only individual benefit plans.

In addition, the Scheme updates the Registrar on both the Scheme and individual benefit option performance in its monthly management accounts and quarterly monitoring meetings.

### Investment in employer groups and medical scheme administrators

Section 35 (8) (a) and (c) of the Act states that a medical scheme shall not invest any of its assets in the business of an employer who participates in the Scheme, or any administrator or any arrangement associated with the Scheme. The Scheme has investments in certain employer groups and companies associated with medical scheme administration within its diversified investment portfolio. This situation occurs industry-wide. CMS has granted DHMS exemption from these sections of the Act on 7 March 2013. On 10 March 2016 the Scheme received a letter from the CMS requesting the Scheme to renew its Section 35 (8) (c) exemption within 30 days. The Scheme will be submitting an application on 8 April 2016 requesting a renewal of its exemption from both Section 35 (8) (a) and (c) of the Act.

### Investments in other assets in territories outside South Africa

Our offshore bond managers utilise derivative instruments to aid with efficient portfolio construction and management, and to reduce the overall risk within our portfolios. The derivatives used are highly liquid and are either exchange traded or governed by International Swaps and Derivatives Association agreements. The derivative instruments are not used for speculation and there is no gearing or leverage applied. Investments in derivatives in territories outside the Republic of South Africa are, however, prohibited in terms of Category 7 (b) of Annexure B to the Regulations of the Medical Schemes Act 131 of 1998.

The Scheme submitted an exemption application to the CMS in 2014 requesting that the Scheme be permitted to invest in the offshore derivatives. The CMS granted the Scheme an exemption on 19 May 2015 to invest in offshore derivatives, subject to certain conditions, up until 31 December 2016. The Scheme will be submitting an application for an extension of the current exemption during August 2016.

### Contributions received after due date

Section 26 (7) of the Act states that all subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment becomes due. There are instances where the Scheme received contributions after the three days; however, there are no contracts in place agreeing to this practice. It is important to note that the Scheme has no control over the timely payment of contributions. The legal obligation resides with the members/employers to pay contributions within the prescribed period.

The Scheme does however employ robust credit control processes dealing with the collection of outstanding contributions, including the suspension of membership for non-payment.

### Broker fees paid

In terms of Regulation 28 (5) of the Act, broker fees shall be paid on a monthly basis on receipt by a medical scheme of the relevant monthly contribution in accordance with the maximum amount payable per Regulation 28 (2), limited to one broker as required by Regulation 28 (8). In some instances, brokers were compensated prior to receipt of the relevant monthly contribution, the amount paid was more than the prescribed amount and more than one broker per member was paid. In the instances where brokers were paid above the prescribed amount or more than one broker was paid, the value is negligible and represents less than 0.03% of the total broker fees paid for the year. The exceptions relate to transactions that do not occur frequently and Discovery Health has developed exception reporting to identify and correct these transactions, and has a well-established claw-back system to rectify commission overpayments.



## Matters of non-compliance *continued*

### Late joiner penalties

In terms of Regulation 13 of the Act, a medical scheme may apply premium penalties to a late joiner and such penalties must be applied only to the portion of the contribution related to the member or any adult dependant who qualifies for late joiner penalties. Late joiner penalties depend on factors such as age and years of creditable medical scheme coverage.

In only a few cases (17), late joiner penalties were incorrectly applied to members due to data capturing errors. The Scheme is in the process of backdating corrections for the respective members.

### Duplicate membership

Section 28 (b) (i) of the Act states that no person shall be admitted as a dependant of more than one member of a particular medical scheme. A few isolated cases (11) were noted where the same dependant was registered under two memberships. The majority of cases relate to child dependants being added by both parents on their own respective memberships, whether from birth or as result of a divorce. Actions have been taken to correct the duplications identified. Additional controls have been implemented to prevent re-occurrence, which include monthly exception reports of all duplicate memberships and ensuring that ID numbers are obtained during New Business and Administration processes.

# Discovery Health Medical Scheme 2016 Annual General Meeting Notice

Members of the Discovery Health Medical Scheme (DHMS) are invited to the upcoming DHMS Annual General Meeting (AGM).

## Details:

**Date:** Thursday, 23 June 2016

**Venue:** The Hilton Conference Room,  
The Hilton Hotel, 138 Rivonia Road,  
Sandton.

Parking will be available at The Hilton Hotel. Additional parking will be available at Nedbank (135 Rivonia Road, Sandton), Rand Merchant Bank (1 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton) and The Maslow (Corner Grayston Drive and Rivonia Road, Sandton)

**AGM Meeting Time:** 10:00

**Registration:** 08:00 to 10:00

**Identification:** Members attending the AGM must bring along any of the following identification documents: a South African ID book or card, South African Driver's Licence or a Passport.

**Live Streaming:** If you are unable to attend the AGM you can make use of the live streaming facility that will be available on [www.discovery.co.za](http://www.discovery.co.za) on 23 June 2016 at 10:00

## Agenda for the meeting:

1. Welcome and quorum
2. Minutes of the 2015 Annual General Meeting – for approval
3. Tabling of the 2015 Integrated Annual Report, including the Scheme's Annual Financial Statements for the financial year ended 31 December 2015
  - 3.1. Presentation by the Principal Officer of Discovery Health Medical Scheme
  - 3.2. Presentation by the CEO of Discovery Health (Pty) Limited, the Administrator of the Discovery Health Medical Scheme
4. Governance
  - 4.1. Discovery Health Medical Scheme Trustee Remuneration Policy and approval of the 2016 Trustee Remuneration
  - 4.2. Appointment of Auditors
5. Motions
6. General
7. Voting and Closure of the AGM
  - 7.1. Election of Trustees
  - 7.2. 2016 Trustee Remuneration
  - 7.3. Non-Binding Advisory vote on the Trustee Remuneration Policy
  - 7.4. Motions
8. Member Forum

You can RSVP your attendance to the AGM and optional Member Forum on [www.discovery.co.za](http://www.discovery.co.za)

## Member Forum

The Board of Trustees invites members to attend a Member Forum which is to be held immediately after the AGM in order to give members the opportunity to interact with the Principal Officer and the Board of Trustees on specific Scheme matters of members' choice. The Principal Officer and the Board of Trustees kindly request members to advise them beforehand of the matters that they would like to discuss. Members are requested to submit the detail to the following email address: [memberforum2016@discovery.co.za](mailto:memberforum2016@discovery.co.za).

The minutes of the 2015 Annual General Meeting, the summary of the Scheme's Remuneration Policy and the 2016 proposed Trustee Remuneration are available on [www.discovery.co.za](http://www.discovery.co.za).

The 2015 Integrated Annual Report including the full set of audited Annual Financial Statements and the Report by the Board of Trustees are available on [www.discovery.co.za](http://www.discovery.co.za) as well as at the following customer service centres:

**Johannesburg**

Discovery Health  
16 Fredman Drive  
Sandton

**Pretoria**

Discovery Health  
Corner of Oak and Tegel Avenues  
Highveld Techno Park  
Centurion

**Cape Town**

Discovery Health  
Knowledge Park  
Heron Crescent  
Century City

**Durban**

Discovery Health  
41 Imvubupark Place  
Riverhorse Valley Business Estate  
Durban

**Port Elizabeth**

Discovery Health  
BPO Building  
Coega IDZ  
Zone 4

