

Minutes of the 21st Annual General Meeting of the Discovery Health Medical Scheme
("DHMS"/Scheme") held on 25 June 2015, at The Pavilion, Sandton Convention Centre, 161
Maude Street, Sandton, at 14:00

1. Welcome and Quorum

Mr Streak, the Principal Officer, confirmed that there was a quorum present and that the meeting was duly constituted in terms of Rule 25.1.3 of the Scheme Rules, which specifies that at least 15 members present in person constitute a quorum.

The Chairman of the Board of Trustees, Mr Mike van der Nest SC, welcomed all present to the 21st Annual General Meeting of the Discovery Health Medical Scheme ("DHMS/Scheme").

Confirmation of the agenda:

The Chair presented the agenda for the meeting and requested confirmation thereof. The agenda was confirmed by Dr J. Broomberg.

The agenda for the meeting is as follows:

1. Welcome and quorum
2. Minutes of the 2014 Annual General Meeting - for approval
3. 2014 Annual Financial Statements and Trustee Report
4. Governance
 - 4.1 Discovery Health Medical Scheme Trustee Remuneration Policy and Trustee Remuneration
 - 4.2 Appointment of auditors
 - 4.3 Confirmation of the appointment of a Trustee of the Discovery Health Medical Scheme as per Rule 17.3
5. Motions
6. General
7. Closure

2. Confirmation of the Minutes of the 2014 Annual General Meeting (for the financial year ended 31 December 2013)

The Chairman referred the meeting to the draft copy of the Minutes of the 2014 AGM, as included in the meeting pack given to Principal Members upon registration and which were also published on the Scheme's website. The Chair informed the meeting that a number of amendments to the 2014 Minutes were put forward by Mr Compagnoni. The Chair proceeded to read out the changes:

Page 6 of the 2014 Minutes - Agenda Item 6 - Motions

To insert at the end of paragraph 3: *"...in support of his motion, Mr. Egdes queried the independence of the Trustees, particularly in light of the fact that very little of the intellectual property used to run the Scheme, is owned by the Scheme. He added that his intention with the motion was to prevent large 'blocks' of proxy votes."*

To add more detail after the following line in paragraph 4, which read as follows:

"The Chair requested the meeting if there was anyone else to speak to the motion. Mr M. Compagnoni and Mr R. Rusconi confirmed that they were in support of the motion." Mr Compagnoni requested that the following text follows this line: *"In supporting the motion, Mr M. Compagnoni expressed concern that the Trustees and the Scheme did not have comparable resources to those of the Administrator, to be able to stand up to the might of the Administrator."*

"In expressing his support for the motion, Mr R. Rusconi asked whether Trustees were sufficiently applying their minds to the fact that members of the Scheme may be contributing to the success of Discovery Holdings' other businesses, such as Discovery Insure, instead of increasing the Scheme's reserves. He also enquired whether there may be truth in something which had come to his attention, namely whether there was any 'profit-sharing' agreement between the Administrator and a hospital group. In response, Dr Broomberg stated emphatically that there is no such arrangement. He explained however, that there are 'risk-sharing' contracts, but these are directly between the Scheme and the hospital company, and they are audited. The Chair indicated that he had no knowledge of any such arrangements."

To add at the end of the last paragraph on page 8

"In response to a question by a member, the Chair clarified that motions are not for operational issues. These should be raised outside of an AGM, with the Administrator or the Scheme staff, as they arise."

Page 8 of the 2014 Minutes – Agenda Item 8 - Closing

To add the following words at the end of the last sentence in this section *"and to continue the fight against fraud and to reduce the non-medical costs, which in turn directly affect the levels of members' contributions."*

The meeting, upon a request from the Chair, confirmed that there were no further amendments to be made to the minutes, and subject to the changes proposed by Mr Compagnoni, the minutes were proposed for approval by Mr Compagnoni and seconded by Dr J. Broomberg.

2014 Annual Financial Statements and Trustee Report

3. 2014 Annual Financial Statements and Trustee Report

The Chair advised the meeting that the 2014 Annual Financial Statements and Trustee Report for the financial year ending 31 December 2014 were laid before the meeting in terms of Rule 25.1.4 of the Scheme Rules. This meant that no decision was required and that questions could be directed to the Principal Officer and/or the CFO.

The Chair further advised that before taking any questions on the 2014 Annual Financial Statements and Trustee Report for the financial year ending 31 December 2014, the following presentations will be made:

- A presentation by Mr Milton Streak, the Principal Officer, on the financial performance of the Discovery Health Medical Scheme.
- A presentation by Dr Jonathan Broomberg, the CEO of Discovery Health (Pty) Ltd.

3.1 Presentation by Mr Milton Streak

The Chair introduced Mr Milton Streak to the meeting and Mr Streak commenced his presentation by indicating that the presentation would focus on the following headlines:

- a. Continued sustainable growth.
- b. Financial strength and sustainability.
- c. Managing the cost of care.
- d. Operating and service performance.
- e. Governance.

Mr Streak reported on the key measures as at the end of 2014 and indicated that:

- Gross contribution income of the Scheme increased by 10.9% to R44.9 billion for 2014.
- The number of members per year at the end of 2014 increased by 3.3% from 1 191 987 to 1 231 116.
- The number of lives at the end of 2014 increased by 2.7% from 2 564 313 to 2 634 819.
- The Scheme's open market share was 52.8%, up from 52.3%.
- The net surplus of the Scheme was R1.537 billion, up 0.2% from R1.535 billion.
- The accumulated funds per Regulation 29 were at R11.567 billion.
- The Scheme's solvency stood at 25.76%, up from 24.30% in 2013. The Scheme achieved its solvency target 1 year earlier than indicated in its business plan.

The Scheme's financial performance as presented in the Statement of Comprehensive Income were as follows:

- The Scheme's gross contribution income increased by 7.2% on a per member per month basis ("pmpm").
- Relevant healthcare expenditure increased from R26.2 billion to R29.5 billion, representing an increase of 8.6% pmpm.
- Managed care fees were up by 5.4% pmpm, expenses for administration increased by 3.7% pmpm, with other operating expenses increasing by 2.1% pmpm. What is important to note is that the increase in combined administration and managed care fees was 1.3% below inflation.
- Broker service fees increased by 7.6% pmpm.
- The net surplus for the year was R1.537 billion compared to R1.535 billion in 2013.

A. CONTINUED SUSTAINABLE GROWTH

As at the end of May 2015 the Scheme covered 2.65 million lives. The Scheme continues to maintain strong membership growth, which is critical to the continued sustainability of the Scheme.

The Scheme continues to attract relatively young members, which impacts positively on its age profile. The presentation graphically indicated that the Scheme remains younger than the industry and that all new lives entering the Scheme have an average age of 25.5 years. From 2011 to 2014, 94.6% of members have not changed their plans, indicating significant plan stability.

B. FINANCIAL STRENGTH AND STABILITY

The Scheme achieved its regulatory solvency requirement in 2014, 1 year ahead of the proposed solvency plan, with R11.6 billion in reserves and a 25.8% solvency level at the end of 2014. The Scheme will maintain its statutory solvency requirement at the end of 2015.

The presentation graphically illustrated that there has been a continuous decrease in administration and managed care fees as a percentage of gross contribution income since 2008 with the Scheme at 10.60% and other open schemes at 11.77%.

The Scheme maintains an AA+ credit rating for the 14th consecutive year, indicating the strength of the Scheme's claims paying ability.

The Scheme's reserves remain higher than the combined reserves of the next 5 largest open schemes combined.

C. MANAGING THE COST OF CARE

The Scheme's risk claims expenditure of R29.5 billion is made up of:

- Medicines at R3.4 billion, with 552 000 lives registered for chronic medication. Mr Streak commented that the past year has seen the introduction of new high-cost drugs in the South African market. An example is Yervoy (Ipilimumab), which is a drug for the treatment of malignant melanoma. It is only successful in 25% of cases, however, the costs for 4 cycles of this treatment is approximately R1.4 million and it is therefore imperative that medical schemes explore solutions for the funding of these drugs.
- Health Professional spend at R12.3 billion, with 6.7 million GP visits per annum and 5.1 million specialist visits per annum.
- Hospitals at R13.8 billion, with 684 000 hospital admissions per annum.

Mr Streak graphically indicated that the DHMS annual contribution increases have been consistently lower than other open schemes since 2008 and are on average 14% lower than the next 9 largest open schemes in 2014.

The Scheme benefits focus on comprehensive cover for critical care with an in-hospital claims pay-out ratio (including medical specialists) of 93% to 99% across all plan options.

D. OPERATING AND SERVICE PERFORMANCE

Assuming 249 working days in a year and 8 hours in a working day, the following statistics are seen by Discovery Health Medical Scheme:

- 158 babies are born.
- 192 000 claims are processed.
- 50 000 calls are handled.
- 2 760 hospital admissions are processed.
- R148 million is paid out in claims.
- 1 284 new lives join the Scheme.

Mr Streak thanked the Administrator for its work in successfully increasing member perception of service performance and for facilitating increasing quality of service with a low error rate, decreasing on an annual basis.

E. GOVERNANCE

Mr Streak indicated that the Scheme is governed by an independent Board with independent Trustees. The Board is assisted by the following 10 Board Committees, which are essential for the scale, size and complexity of the Scheme:

- Clinical Governance Committee
- Risk Committee
- Audit Committee
- Remuneration Committee
- Product Committee
- Stakeholder Relations Committee
- Investment Committee
- Nominations Committee
- Non-healthcare Expenses Committee
- Disputes Committee

Mr Streak provided an overview of the names and designations of the Board of Trustees as well as the Independent co-opted members of the Board and the Chair of the Audit and Risk Committee.

Mr Streak commented on the Scheme's focus on stakeholder engagement and indicated that a Stakeholder Relations Committee was constituted by the Board in 2014 in order to take a holistic approach to engagement with major stakeholders. Mr Streak re-iterated that the Scheme's members are important stakeholders, as well as the Council for Medical Schemes, competitors, suppliers, healthcare providers, media, the Administrator, the Board of Trustees, employees, asset managers and the Department of Health.

The Scheme received 335 disputes in 2014 of which only 52 have been referred to the Disputes Committee and despite having 2.6 million lives, the Scheme does not feature on the CMS' top 10 medical scheme CMS complaints list.

The Scheme follows an outsourced business model, which is critical to best practice governance with the governance structures of the Scheme being modelled to meet the requirements of a vested outsourcing business model. The long-term vested outsourcing business model has as its objective the creation of member value and is based on the following 5 basic tenets:

1. The business model and the relationship focuses on outcomes and not just transactions.
2. Contracts focus on WHAT to achieve, leaving leeway with respect to HOW the service provider will achieve it.
3. There is agreement on clearly defined and measurable outcomes.
4. The pricing model ensures optimal cost/service trade-offs.
5. Governance structures provide highly effective oversight and significant insight.

The model has been responsible for superior financial performance and superior innovation performance and has been implemented by large international multinational companies.

Mr Streak highlighted that as a high-level overview the Scheme will focus on the following strategic objectives during 2015:

1. Evaluate and enhance the Scheme's outsourcing business model based on international outsourcing best practice principles.
2. To maintain the Scheme's industry leadership position and competitive advantage.
3. Ensure best practice governance and legislative compliance. In this regard it is noteworthy to mention that the Scheme is actively engaging and co-operating with the Competition Commission's Private HealthCare Market Inquiry Panel.
4. Improving health of members through increased wellness engagement at home and in the workplace.
5. Enhance clinical risk management interventions and quality of healthcare delivery strategies.

Mr Streak thanked the members present for attending.

3.2 Presentation by Dr Jonathan Broomberg

The Chair called upon Dr Jonathan Broomberg to present Discovery Health's strategies for the Scheme. Dr Broomberg introduced himself and commented that as a starting point, he wished to express that Discovery Health is privileged to have this relationship with the Scheme and that the core purpose of Discovery Health is "to make people healthier and enhance and protect their lives".

Dr Broomberg indicated that his presentation would focus on the following 3 broad issues:

- Macro forces impacting health systems.
- The Discovery Health strategic focus areas for DHMS.
- Investing in a world-leading healthcare system.

A. MACRO FORCES IMPACTING HEALTH SYSTEMS

The 4 macro forces impacting health systems include:

- i. Cost of healthcare - healthcare costs continue to increase faster than CPI.
 - The 5-year average annualised healthcare inflation rate (2010-2014) was 10.6%. It is important to mention that the increase is not attributable to increased fees but to the usage of 4.5% more services on average than the year before. The difference between CPI, which is at 5.3%, and healthcare cost inflation is attributable to:
 - o An increase in hospital and doctor tariffs.
 - o Demand side drivers, which include an increased disease burden, adverse selection and ageing.
 - o Supply side drivers, which include a fee for service reimbursement system, fragmentation of care, the cost of new technology and procedures and new hospitals.
- ii. Technology
 - Technological advancements create new opportunities and challenges (i.e. the proliferation of wearable health and fitness devices to measure blood pressure, blood glucose levels, etc.).
 - High-cost medicines, which provide cures or advancements in survival are entering the market in large numbers. 2 examples of such drugs include Sovaldi (Sofosbuvir) for the effective treatment of Hepatitis C where a 12-week course costs R1 million, and Yervoy (Ipilimumab), which is a new treatment for malignant

melanoma, which costs approximately R1.5 to R2 million for a course. There have been increasing incidences of ultra-high costs medicine claimants, with a 10 times increase in high-cost claimants since 2008.

- iii. Quality of care – there is an opportunity to improve the healthcare system for the benefit of patients.
- iv. Regulatory environment – still awaiting the NHI white paper. With regards to the Competition Commission’s Market Inquiry into Private Healthcare, Discovery Health has been deeply engaged with the Commission for all their scheme clients including DHMS.

B. THE DISCOVERY HEALTH STRATEGIC FOCUS FOR DHMS

- The Scheme remains the stand-out leader in the South African medical scheme industry. The fact that 1 200 new members join the Scheme each day is commendable in terms of Discovery Health’s performance for sustaining this rate of growth.
- Discovery Health’s strategic approach to delivering better healthcare includes a care co-ordination programme, which segments members by clinical severity to enable appropriate and effective interventions and to improve quality of life and reducing hospital re-admissions.
- Partnerships with GP’s to improve the management of diabetes and heart disease to provide closer and enhanced supervised care for these categories of patients. These initiatives will be reported on next year.
- Discovery Homecare, which has been rolled out in Gauteng, includes the provision of post-natal care, wound care, palliative care, respite care and IV infusions in a home setting.
- The “Get Healthy” Vitality initiative provides the following statistics:
 - o 1 225 members completed a health check each day.
 - o 70 000 gym workouts every day.
 - o 32 000 HealthyFood baskets purchased every day.

It is important to note that members who have volunteered to be part of the programme do so by the payment of a separate premium. In addition, Vitality engagement improves health outcomes resulting in lower admission rates, shorter hospital stays and lower healthcare costs. A 42% effective reduction i.e. through cash-backs, discounts, etc. in the monthly health plan premium can indirectly be realised by a member on Vitality.

- There has been a 19% increase in fraud recoveries and savings in 2014 and Discovery Health continues to invest in people and systems to eradicate fraud.
- DHMS members saved R95 million in 2014 through discounts from Discovery Health partners, including HealthyCare, Optometry benefits and stem cell cryogenics.
- Discovery MedXpress has resulted in a 27% reduction in members’ co-payments, by facilitating the delivery of medication to members and Southern Rx creates further opportunities to save costs for DHMS by realising lower costs for medication. This is not achieved by lower SEP’s, but through negotiation of lower fees on operational requirements i.e. logistics, delivery, etc.
- A new specialist guided funding model for coronary artery disease has resulted in a 10% reduction in the angiography rate.

C. INVESTING IN A WORLD-LEADING HEALTHCARE SYSTEM

- Deloitte conducted a global medical scheme benchmarking exercise on the top 20 health insurers globally, which included the 5 top South African open medical

- schemes (including DHMS). The results indicate that on a country level, South Africa is well positioned with first-world counterparts.
- On a global health insurer level, DHMS has consistently performed well, ranking in the top 3 globally out of 25 health insurers.
 - Discovery Health has implemented 162 innovations since 2004. Discovery Health's personalised healthcare and services journeys include:
 - o World-leading genomics screening for members leading to improved healthcare outcomes.
 - o Improving access to healthcare through the "My Doctor Online" virtual consultation application and the "Book your family doctor appointment online" application (in 2015 DHMS members will be able to book doctor appointments online using the member app).
 - Discovery Health has made a considerable investment in a state-of-the-art claims management system, for DHMS.
 - Discovery Health aims at:
 - o Ensuring the financial stability of the Scheme on an ongoing sustainable basis by increasing membership and maintaining member reserve build-up.
 - o Delivering a world-leading healthcare system at the lowest cost to members of the Scheme.
 - o Reducing the costs of delivering a world-leading healthcare system i.e. administration and managed care fees are on average 10% lower than the rest of the market.

Governance

4. Governance

4.1 Discovery Health Medical Scheme Trustee Remuneration Policy and Trustee Remuneration

The Chair advised that the Chairman of the DHMS Remuneration Committee, Mr Don Eriksson, was not available to address the meeting. Mr Noel Graves, as a member of the DHMS Remuneration Committee, will present the DHMS Trustee Remuneration Policy and the proposed 2015 Trustee remuneration to the meeting, in the absence of the Chairman.

To enable Scheme members to express their views on the DHMS Trustee Remuneration Policy, the Policy will be put to the meeting for a non-binding advisory vote as per King III Code.

The 2015 actual Trustee remuneration will need to be approved by the meeting via ballot.

The Chair advised members that they may direct any questions to Mr Noel Graves or the Principal Officer of the Scheme, after the presentation.

Mr Noel Graves commenced the presentation and commented as follows. The presentation covers the following aspects:

- Remuneration governance.
- The Trustee Remuneration Policy.
 - o Remuneration of the Board of Trustees.
 - o Remuneration methodology.

- Market benchmarking.
- Proposed 2015 Trustee remuneration.

A. REMUNERATION GOVERNANCE

- The Board of Trustees is responsible for the development and implementation of a Remuneration Policy for Scheme employees as well as the Board of Trustees and Board Committee members.
- The Board of Trustees has delegated the responsibility of Scheme remuneration oversight to a Remuneration Committee (REMCO).
- The REMCO consists of an Independent Chair and 2 Trustees, which includes Mr Noel Graves, SC and Mr Mike van der Nest, SC.
- REMCO makes use of independent expert consultants and independent market bench-marking to assist the Committee in terms of best remuneration practices.

Mr Graves stressed that it is important to note that there are 2 matters before the AGM today:

- The adoption and approval of Trustee remuneration, which is presented at the AGM for a majority vote by members.
- Approval of the Trustee Remuneration Policy, which is included in the pack documentation and was also published on the Scheme's website and which is tabled at the AGM for a non-binding advisory vote by members as per the King III Code. It is important to note that no remuneration increases are implemented prior to the approval thereof by members at the AGM.

B. REMUNERATION OF THE BOARD OF TRUSTEES

Annual Trustee fees are split into:

- An annual base fee paid quarterly in arrears, which is 70% of total remuneration.
- A meeting fee, which is 30% of total remuneration. In the event of non-attendance of a meeting, the meeting fee is not paid.

The above fees do not include:

- Fees for Trustee training.
- Trustees are NOT paid for attending training or conferences over and above the training fees, travel costs, accommodation and subsistence costs.
- Trustees are NOT paid any consulting fees.
- In addition, Trustees do not participate in any incentive programmes.
- Trustees are, however, reimbursed all reasonable expenses incurred by them in the performance of their duties as a Trustee.

C. REMUNERATION BENCHMARKING

- The CMS issued Circular 41 of 2015, in which it advised that it is not appropriate for schemes to benchmark Trustee remuneration against non-executive directors of listed companies. For this reason, the Scheme's new remuneration methodology, as developed by PwC, consists of:
 - Benchmarking against fees/rates for professionals in the fields of law, actuarial science, medicine, accounting and commerce.
 - Professional fees to be discounted at an applicable rate (30%) to take into account the non-profit status of the Scheme.

The new market benchmarking methodology was submitted by the Scheme to the CMS on 28 November 2014.

D. PROPOSED 2015 TRUSTEE REMUNERATION

- Multi-year correction based on new methodology:
 - o 2015 professional fee (hourly rate) benchmark of R4000 less 40%
 - o 2016 professional fee benchmark - fee less 35%
 - o 2017 professional fee benchmark - fee less 30%
 - o 2018 onwards – annual fee benchmark - fee less 30%
- The total annual projected trustee and committee member remuneration budget will not exceed 0.01% of gross annual contribution income per year, for the period 2015-2017.
- The year on year increases equate to:
 - o 9% increase in the total trustee remuneration in 2015;
 - o Approximately a 14.8% increase in the total trustee remuneration in 2016;
 - o Approximately a 14.2% increase in the total trustee remuneration in 2017;

An overview was provided of the practical application of the remuneration methodology indicating the:

- Professional fee build up for 2015 for trustees
- Professional fee build up for 2015 for the Chair of a Board Committee
- Professional fee build up for 2015 for the Chairman of the Board

The methodology is based on a professional fee (hourly rate), discounted at an applicable rate and total remuneration takes the following elements into account:

- Number of meetings per year
- Preparation time for each meeting
- Duration of meetings
- Additional time required by the Chair of the Board of Trustees and Chairpersons of Board Committees in the execution of their duties.

The numbers in the slides are based on averages and the total fees may vary depending on the number of meetings attended per year.

After the presentation the following comments and questions were noted from members:

Mr Jonathan Egdes made the following comments:

- *Mr Egdes questioned the numbers of hours spent by the Remuneration Committee on deliberations regarding the remuneration of Scheme staff versus the time spent on deliberations regarding the Trustee remuneration.*
- *Mr Graves commented that the fact that although the Scheme office is small we should not discount the responsibilities and duties that this office must undertake.*
- *Mr Egdes suggested that the hourly rate of R4 000 be reduced to R2 400.*
- *Mr Egdes further requested a comparison between the 2014 and 2015 remuneration for the Chair of the Board. Mr Streak commented that the detail regarding the 2014 remunerations was on page 74 and 75 of the 2014 Integrated Report and that the fee paid to the Chair in 2014 amounted to R616 000,00.*
- *Mr Egdes further commented that it would be interesting to know how much the Trustee fee contributed to an individual Trustee's annual income, i.e. what percentage of their annual income was for Trustee fees and to what extent Trustees relied on these fees.*

Mr Mario Compagnoni made the following comments:

- *Most of the trustees are lawyers and earn more than the Trustees' fees. PwC has therefore looked at the principle of equity and ignored the principle of inequality.*

- *The Trustees should therefore consider a very generous discount of 50% to start with and then work downwards.*
- *In addition, the Risk and Audit Committees consist of the same members with the only difference being that the Risk Committee also includes members of management. An explanation is therefore required as to why separate fees are paid for Audit and Risk meetings. Mr Streak responded to Mr Compagnoni and commented that work streams of the 2 committees were evaluated against the requirements of the Scheme, taking into account the King III guidelines, which require that they be split out and therefore, for governance and operational purposes, the 2 committees were separated.*

Mr Graves commented that it is important to note that a dilemma faced by the Board is the attraction and retention of appropriate skills, bearing in mind that professional people are required to disengage from their daily careers and set aside entire days for attending Board and Committee meetings.

Mr Noel Graves handed the floor back to the Chair, who requested the members:

- To vote on the non-binding advisory vote on the Remuneration Policy, which was the yellow ballot paper.
- Thereafter, to vote on the 2015 Trustee remuneration, which was the pink ballot paper.

Once completed, the ballot papers should be passed to the end of the aisle where they will be collected.

4.2 Appointment of the Auditors

The Chair proposed that PriceWaterhouseCoopers be appointed as Auditors for the ensuing year. Dr J. Broomberg seconded the approval of the appointment.

4.3 Confirmation of appointment of a Trustee as per Rule 17.3

The Chair advised the meeting that the next agenda item is the confirmation of his appointment as a Trustee, as per Rule 17.3, and called upon Mr Noel Graves to address the meeting.

Mr Noel Graves commented that:

- In terms of Rule 17.1 of the Scheme Rules, the affairs of the Scheme must be managed by a Board of fit and proper persons of at least 5 but no more than 8 persons. Subject to clause 17.7, a Trustee shall serve a term of 3 years and shall be eligible for re-election. Such Trustees shall not serve more than 2 consecutive terms.
- In terms of Rule 17.2, at least half of such Trustees must be elected by members from amongst the members.
- In terms of Rule 17.3, the balance of the Trustees may be elected by members, or appointed by incumbent member-elected Trustees, provided that the Trustee appointed in terms hereof by the incumbent Trustees shall:
 - o Be subject to clause 17.7 (which deals with a casual vacancy, which this is not).
 - o At any given time not exceed 25% of the total number of Trustees.
 - o Have their appointment presented for confirmation at the first Annual General Meeting following their appointment.
- In terms of Rule 17.3 and 17.5, retiring members of the Board are eligible for re-election or re-appointment, provided that no person shall serve more than 2 consecutive terms.

Notwithstanding this however, a person will be entitled to serve more than 2 terms in his/her lifetime.

- We are dealing in this instance with the appointment of Mr Michael van der Nest, whose first term expired on 15 August 2014. Mr Van der Nest indicated his availability to be re-appointed for a second term, and the Board exercised its powers in terms of Rules 17.3 and 17.5 and re-appointed Mr Van der Nest as a Trustee at a Board meeting held on 26 August 2014.

Mr Van der Nest, SC is a practicing advocate and was appointed as Senior Counsel in 2000.

Mr Van der Nest leads the Board with enormous skill and professionalism and Mr Graves thereby requested members to support the confirmation of Mr Van der Nest's appointment.

Mr Graves requested the members to indicate their votes on the relevant ballot paper. Once completed, the ballot paper should be passed to the end of the aisle where it will be collected.

Motions

5. Motions

Mr Noel Graves handed the floor back to the Chairman, who advised the members that motions were invited to be submitted by members by the deadline of 17:00 on 17 June 2015. 2 motions were received by Mr Jonathan Egdes after 17:00, however these were found to be in time relative to a 24 hour period. 3 motions were received from Mr Mario Compagnoni on 18 June 2015 and these were rejected for being late.

The Board of Trustees convened a meeting on 23 June 2015 to consider and evaluate the motions received. The Board rejected Motion 1 submitted by Mr Egdes and accepted Motion 2 and Mr Egdes was hereby invited to address the meeting with regard to his Motion 2 which reads as follow:

"In view of the Chairman of the Council for Medical Schemes having found voting via proxies garnered from interested and associated parties of the Administrator an "undesirable" practice and some members of the Board of Trustees having been elected due to such practices, the members call upon those Board members so elected to resign from their positions as Trustees. The members further call on those Trustees co-opted or appointed to the Board by members elected via those "undesirable" practices to resign as well, as their membership has therefore also been affected."

Before the address by Mr Egdes, the Chair invited members at the meeting to speak against the motion. There were no members that wished to speak against the motion and the Chair proceeded to speak against the motion:

- The fundamental premise of Mr Egdes' motion is that the Chairman of the Council for Medical Schemes has found that voting via proxies garnered from interested and associated parties of the Administrator is an "undesirable" practice. This is both false and misleading for 2 reasons:
 - o The Chairman of the CMS, Professor Veriava, has made no such finding.
 - o The Registrar of the CMS has made no such finding but has called for representations from the industry on the matter.
- In June 2013, an election was held by the Scheme, which was well attended and streamed live by the Scheme. The results of the election were validated by PwC. Candidates that stood for election were provided with an opportunity to address the AGM, and none of the elected

Trustees lobbied for votes from any service provider but simply addressed the AGM on their merits.

- Approximately 2 years later, the CMS has published a notice which is in a number of ways aligned to Mr Egdes' motion. The Chair proceeded to take the meeting through the essentials of the notice and highlighted that the notice is titled "draft declaration" and in essence declares that it shall be an undesirable business practice:
 - o For a person that is a service provider to a medical scheme and or officers or agent of such a service provider to:
 - Influence or campaign for an employee of the service provider to serve as a proxy or proxies to be appointed to vote to elect Trustees(s) at a general meeting of members.
 - Influence or campaign for a proxy or proxies of their choice to be appointed to vote in general meetings in order to elect Trustees(s) or take decisions that affect the rights of members and interest of medical schemes at a general meeting of members.
 - Influence or campaign for candidates of their choice to be elected as Trustees at a general meeting of members.
- The CMS in the notice, invited all interested persons to make representation regarding the proposed declarations. DHMS has made representations in this regard and is awaiting a response thereto, together with the rest of the industry. The notice is and therefore remains a draft declaration.
- Accompanying this Circular, the CMS issued Circular 36 of 2014, in which it indicated that (the Chair proceeded to read from the Circular):
"The draft declaration of undesirable business practices is important for fair voting and election of members of medical schemes. This circular does not relate to campaigns and election processes required of medical schemes but relates to activities and conduct of members of a medical scheme who also have a work or business relationship or interest in a medical scheme. Please note that in terms of Section 61(4) of the Medical Schemes Act, no one may conduct the affairs of a medical scheme in a manner described in the draft declaration."
- Circular 36 of 2014 does not make the conduct at the 2013 trustee election the cause to impeach any trustee.
- There are significant issues of principle raised in the Circulars, which need to be considered, one being that service providers, such as doctors and pharmacists, are entitled to garner votes and gather information, and the same applies to employees. These are amongst the issues that we will engage with the CMS on.
- The Medical Schemes Act 131 of 1998 only authorises 1 party to remove Trustees and that is the Council for Medical Schemes.

The Chair concluded his address by requesting that members vote against the motion as:

- The premise of the motion was flawed.
- Only the Council for Medical Schemes has the authority to remove Trustees.

Mr Egdes then addressed the meeting and made the following remarks:

- The 4 Trustees elected in 2013 garnered 90% of the votes and the remaining 19 members who stood for election, only garnered 1% of the votes.
- It does not depend on what the Chair of the CMS has or has not found, but he, Mr Egdes, is calling on the integrity of the Trustees to do the right thing and to resign. Mr Egdes called on the meeting to ignore, in his words, the “semantics” of Advocate Van der Nest and urged the members at the meeting to call on the Trustees to resign.
- Mr Egdes further commented that it is fatally flawed that the Administrator should be able to put people in power.
- Mr Egdes then proceeded to read his motion, which was also projected on the screens.
- Mr Egdes’s additional comments after reading his motion were that the members (now Trustees) who went out and approached 3 500 members, should resign, as there may be undue influence on the part of these Trustees to carry out the will of the Administrator. The vested outsourcing model referred to in Mr Streak’s presentation is merely a manner to facilitate the *“handing over of the crown jewels to an outsourced company”*. The elected members of the Board have given away the family jewels and therefore they should tender their resignations. It is matter of the *“tail and the dog”* and the *“tail wags the dog”*. The Administrator determines what the Scheme must or must not do. There is for example a shared website and when Dr Broomberg talks about the Scheme, he talks about Discovery.
- Mr Egdes then proceeded to take his seat and Mr Dave King addressed the meeting and commented that:
 - o He stood as a Trustee in 2013 and was not elected.
 - o The motion is founded on inaccurate grounds as the CMS has not published a final notice. They have published a draft notice on which the industry has commented.
 - o The incumbent Trustees have served 2 years of their 3-year term. The preparation for an election is a costly, long and complicated process and therefore it is more practical for Trustees to serve their terms to next year (2016) and ensure that a fair and by-the-book election is held.

The Chair requested the members to indicate their votes on the relevant ballot paper. Once completed, the ballot paper should be passed to the end of the aisle where it will be collected.

General and Closure

6. General

The Chair inquired whether there were any other issues that any member would like to raise under general. In this regard the following can be noted:

- Mr Compagnoni enquired *“Why do the Administrator/Trustees not want to ask members directly for their perceptions on all aspects of the service/value they receive from the Scheme, not just the ‘quality of service’ they receive from call or walk-in center agents?”* Mr Compagnoni suggested that in addition to member surveys regarding the service they have received from the Scheme, it may be worthwhile to facilitate surveys for members regarding the services received from their healthcare providers i.e. doctors, specialists, etc.
 - o Dr J. Broomberg commented that quotes to facilitate these surveys will be obtained for the Trustees in order to explore this option, albeit an expensive exercise. The best manner in which to conduct the survey is to extend the questionnaire to members after they have received the service from the healthcare provider, as opposed to an annual survey. Dr J. Broomberg cautioned that 1 risk that we should be cognisant of is that an annual survey

- could result in an influx of unhappy members using this as a platform to indicate their overall unhappiness, resulting in unbalanced results, as happy members are not as motivated to respond.
- The Chair also commented that at each Board Meeting, the Board receives a report detailing service metrics on a wide range of matters, but that it will be useful to consider the recommendations made.
 - Mr Compagnoni posed the following question: *"The net deficits for the following plans have remained the same or deteriorated even further from 2013 to 2014 - Executive from R248 million to R277 million; Classic Comprehensive from R384 million to R508 million; Key Care Plus from R90 million to R173 million. The Trustees' strategy to date is clearly not working, and resulting in substantial deterioration and continuing non-compliance in respect of the above plans. What are the 'different strategies' which the Trustees are evaluating, to address the deficits in these plans?"*
 - The question posed by Mr Compagnoni was addressed by Mr Emile Stipp, the Chief Actuary at Discovery Health (Pty) Limited. Mr Stipp introduced himself and commented that there are always subsidies between the healthy and the sick and that initiatives are in place to deal with matters in a measured way. On KeyCare, the target loss ratio is 110%. KeyCare remains a challenge, as pensioners continue to join the option and this needs to be balanced by attracting younger members. For this reason one cannot simply raise contributions, typically the strategy would involve putting in place tighter networks in KeyCare. Contributions on the Executive plan increased by 1% more than other options. In 2016 and beyond, further differentiated increases will be considered. However, differential increases will be implemented in a balanced manner so as not to create risk.
 - Mr Compagnoni in addition commented that the level of contributions are high. The Scheme has reached solvency and therefore he expects that contribution increases for 2016 should be below 8%. The Chair commented that the contribution increase process is a very detailed process that involves a number of detailed calculations.
 - Mr Ronny Silbermann addressed the meeting and commented that it is important for a member to be able to voice their opinion, and that with regard to surveys, he has been a member of the Scheme for 15 years and he has to date not received a service survey. Dr J. Broomberg commented that not all members receive the survey and that the survey is sent on a daily basis to a random sample of members and not to all individuals who have been interacted with on the day. Mr Silbermann cautioned that one should not lose sight of the personal aspect of people and the emotional aspect of illness. Mr Silbermann commended the willingness to assist and service that he received from Mr Streak's office.
 - Mr J. Egdes questioned why the following motion submitted by himself was declined on the basis that it was operational matter:

"The members of the Discovery Health Medical Scheme instruct the Board of Trustees to invite interested parties to make presentations to the Board with a view to administering the Scheme."

 - Mr Egdes commented that he would refer this matter to the CMS and the Competition Commission as the Scheme's agreement with the Administrator constitutes an anti-competitive practice. In addition, he would refer the matter to the CMS on the basis that Trustees are not acting in the best interest of members by denying this motion.

7. Closure

There being no further business, the Chair closed the meeting and thanked all for attending.