

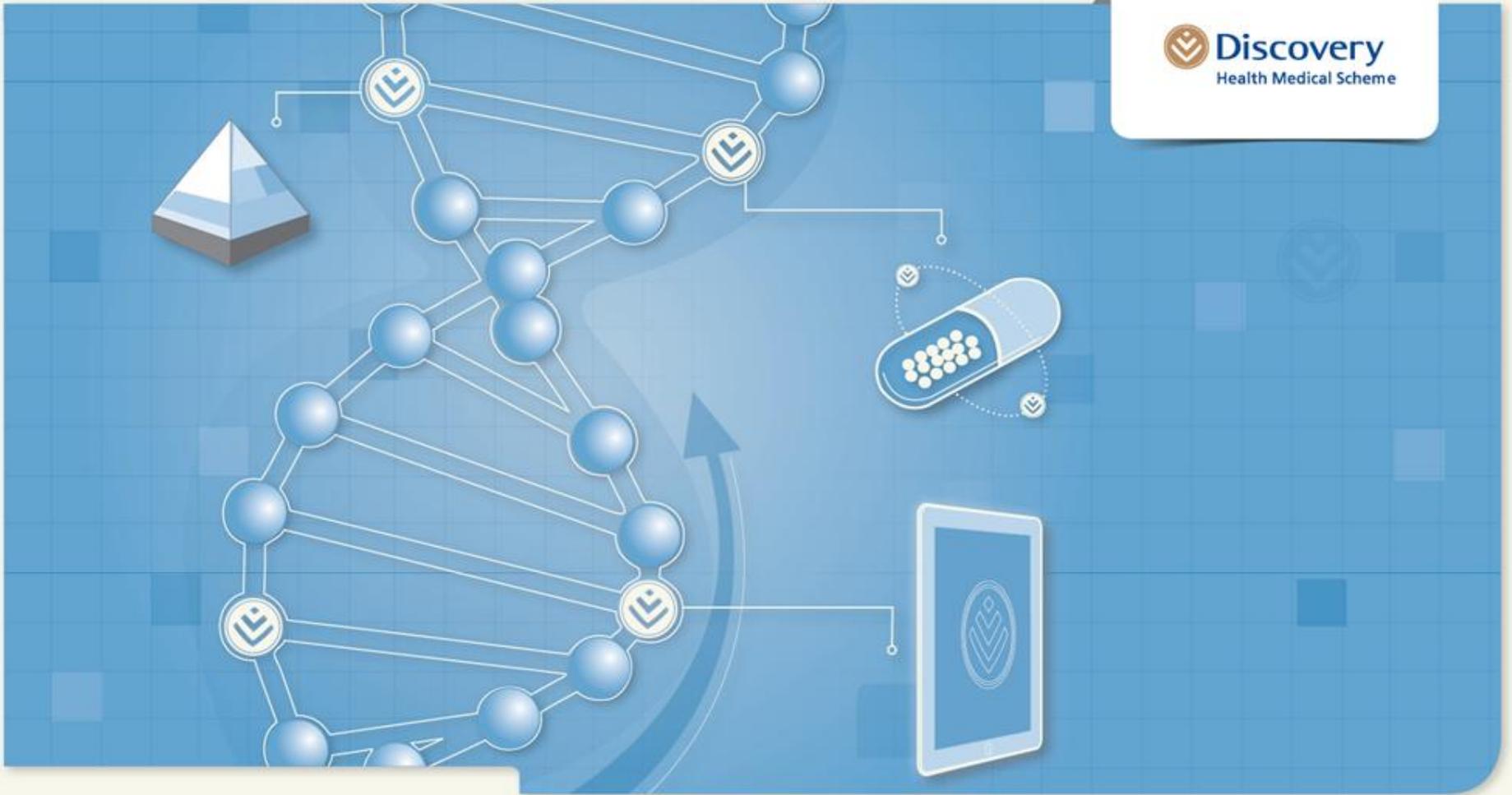
20  
12



## 2012 Annual General Meeting

Adv Michael van der Nest  
Chairman of the Board of Trustees  
21 June 2012

1. Welcome and quorum
  2. Confirmation of the minutes of the 2011 AGM held in June 2011
  3. Tabling of the annual financial statements
    - Discovery Health Medical Scheme highlights for 2011
    - Discovery Health 2012 Review
  4. Acceptance of the annual financial statements
  5. Governance
    - Appointment of auditors
    - Ratification of Trustee appointment
  6. Scheme amalgamations
  7. Motions
  8. General
-



20  
12



## Discovery Health Medical Scheme Highlights for 2011

Milton Streak  
Principal Officer

# DHMS Key Measures

Measure	2010	2011	% change
Gross Contribution Income (R'000)	27,650,362	31,192,855	13%
Number of members at year end	1,019,419	1,075,866	6%
Number of lives at year end	2,244,894	2,354,351	5%
Open scheme market share	49%	50%	1%
Investment return	7.5%	6.3%	-1.2%
Solvency	24.7%	23.5%	-1.2%

# Financial performance:

## Statement of comprehensive income

<b>Income statement</b>	<b>2011 R'000</b>
Gross contribution income	31,192,855
Less Savings contribution income	- 6,219,912
Net contribution income	24,972,943
Net claims <sup>(1)</sup>	- 20,651,339
<b>Gross healthcare result</b>	<b>4,463,640</b>
Managed care: management services	- 882,883
Broker service fees	- 688,812
Expenses for administration	- 2,863,572
Other operating expenses	- 105,973
<b>Net healthcare result</b>	<b>- 77,600</b>
Net investment and other income <sup>(2)</sup>	658,771
<b>Net surplus for the year</b>	<b>570,410</b>

*Notes*

*(1) Net claims incurred less third party recoveries and the results of risk transfer arrangements*

*(2) Investment and other income less expenditure on interest and asset management services*

# Key performance metrics

## 1 Continued, sustainable growth

- New business
- Withdrawals
- Plan movement

## 2 Financial strength and sustainability

- Member reserves
- Independent credit rating

## 3 Managing cost of care

- Contribution competitiveness and increases
- Benefit coverage & Strategic benefit alignment
- Fraud and abuse
- NHE

## 4 Operating and service performance

- Stringent service levels
- Service recognition

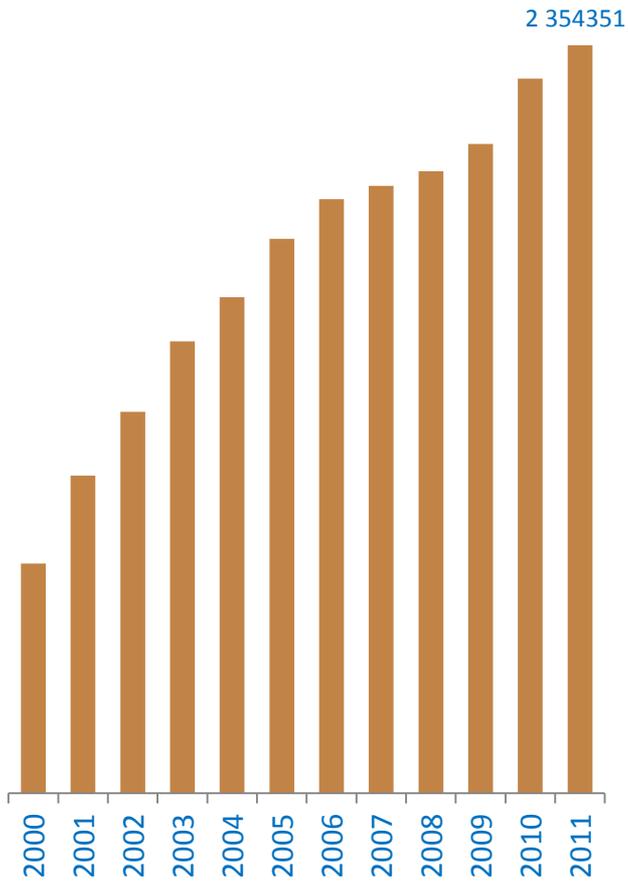
## 5 Governance

- Governance structure
- Adherence to best practice

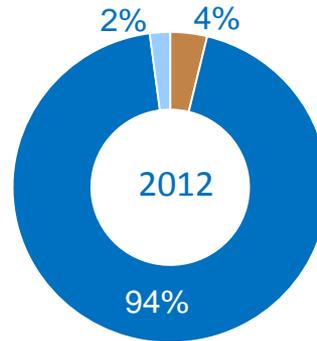
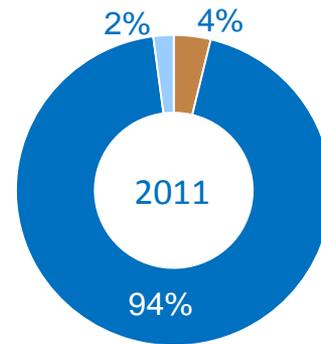
# Discovery Health Medical Scheme membership progression



**Growth:**  
DHMS lives covered

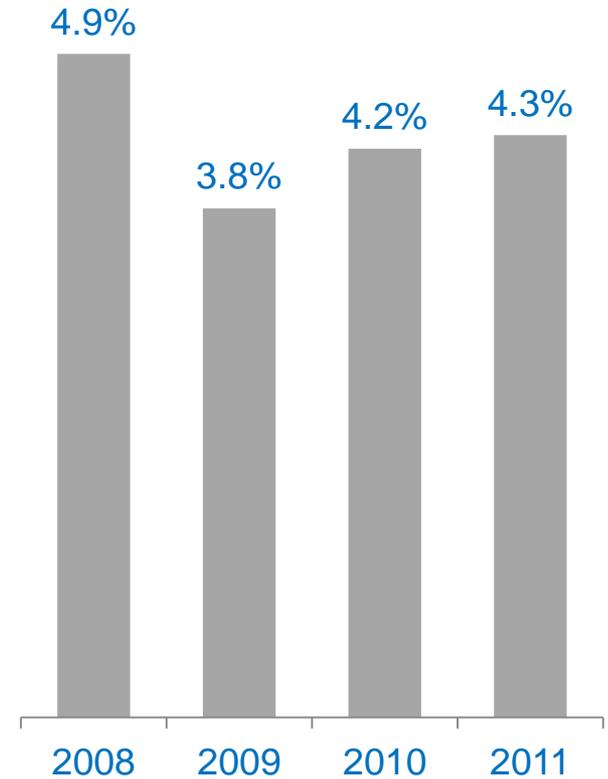


**Sustainability:**  
Plan movements



- Upgrade
- No change
- Downgrade

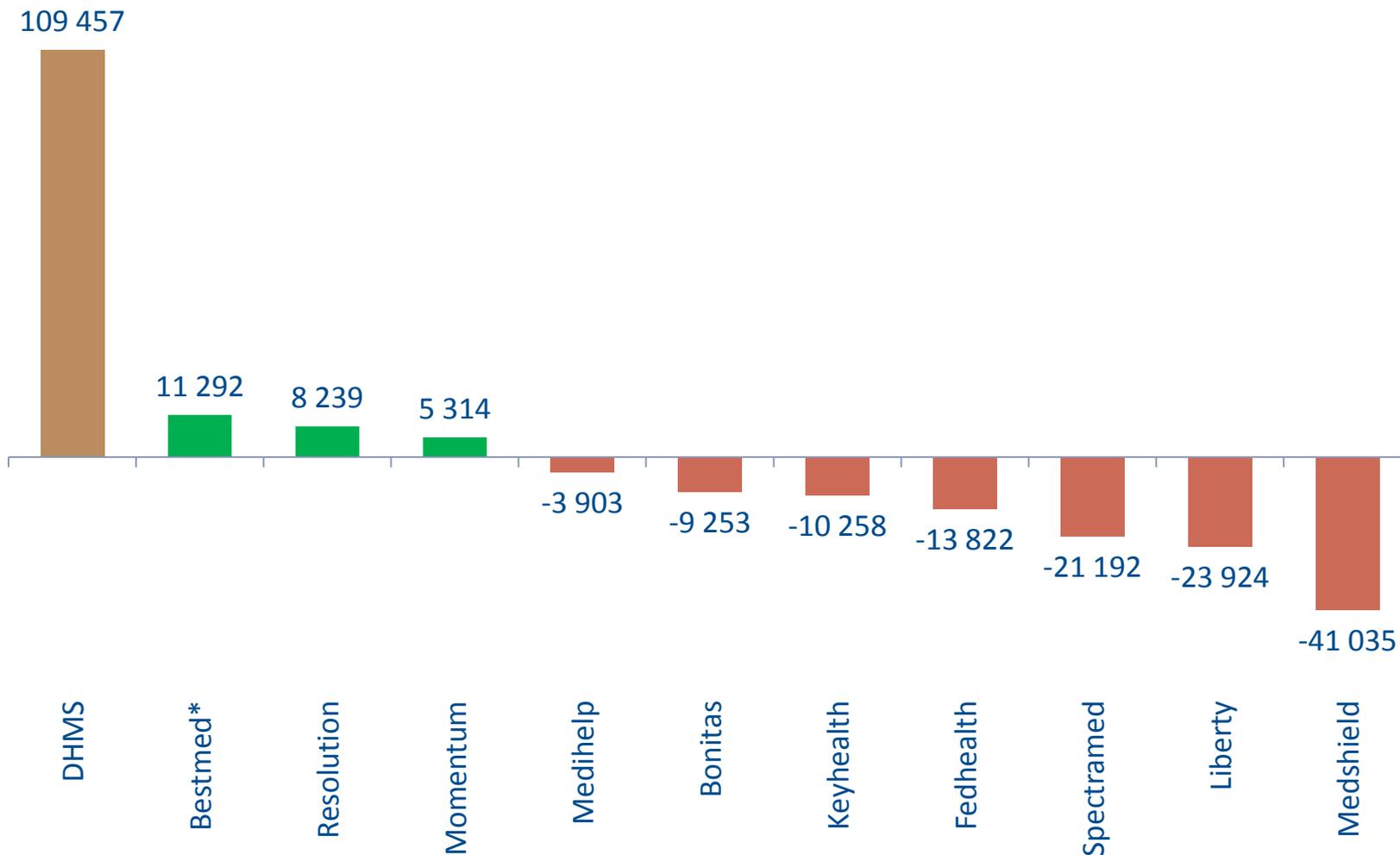
**Retention:**  
Annual DHMS lapse rates



# Membership growth sustained at 6%



## Growth in lives, 2011: DHMS vs the largest open schemes

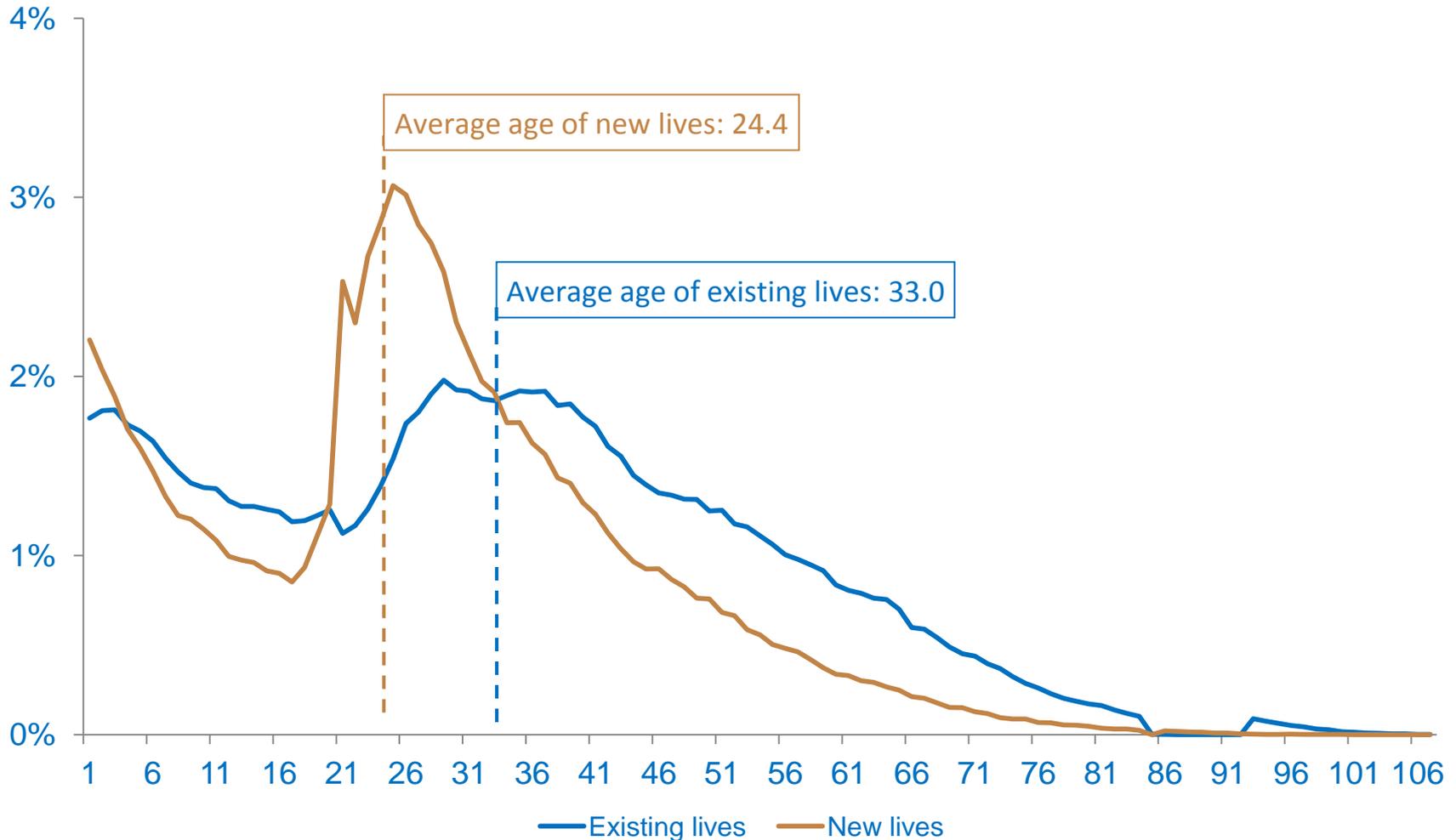


Source: DHMS and competitor AFS, 2011

Note: The growth for Bestmed is estimated based on information provided in a summary of their financial results

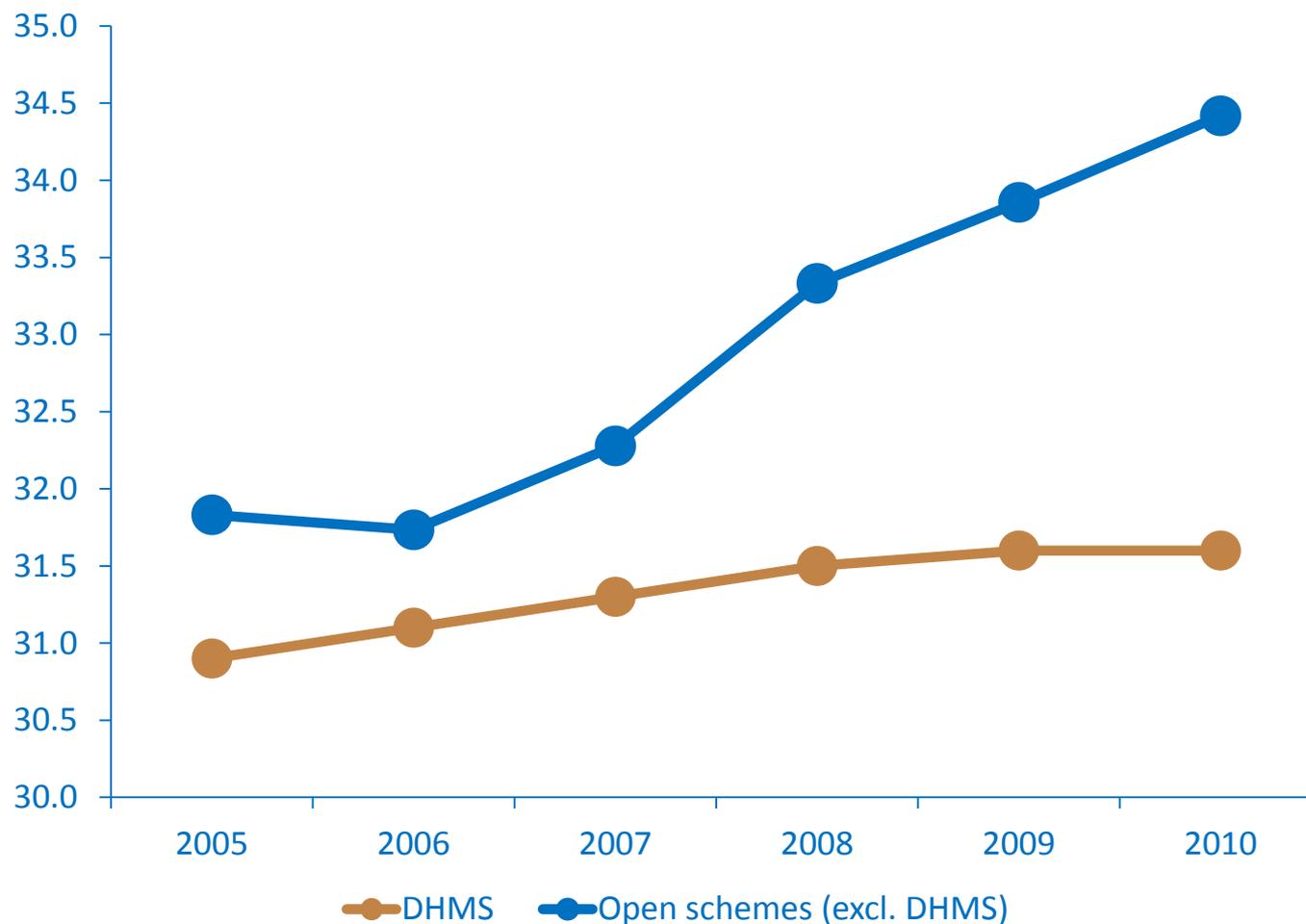
# Profile of new lives is significantly younger than the existing base

## Age profile of new vs existing business



# Ability to attract young members impacts positively on age profile

## Age profile comparison



Ability to attract and retain members is key

# Key performance metrics

## 1 Continued, sustainable growth

- New business
- Withdrawals
- Plan movement

## 2 Financial strength and sustainability

- Member reserves
- Independent credit rating

## 3 Managing cost of care

- Contribution competitiveness and increases
- Benefit coverage & Strategic benefit alignment
- Fraud and abuse
- NHE

## 4 Operating and service performance

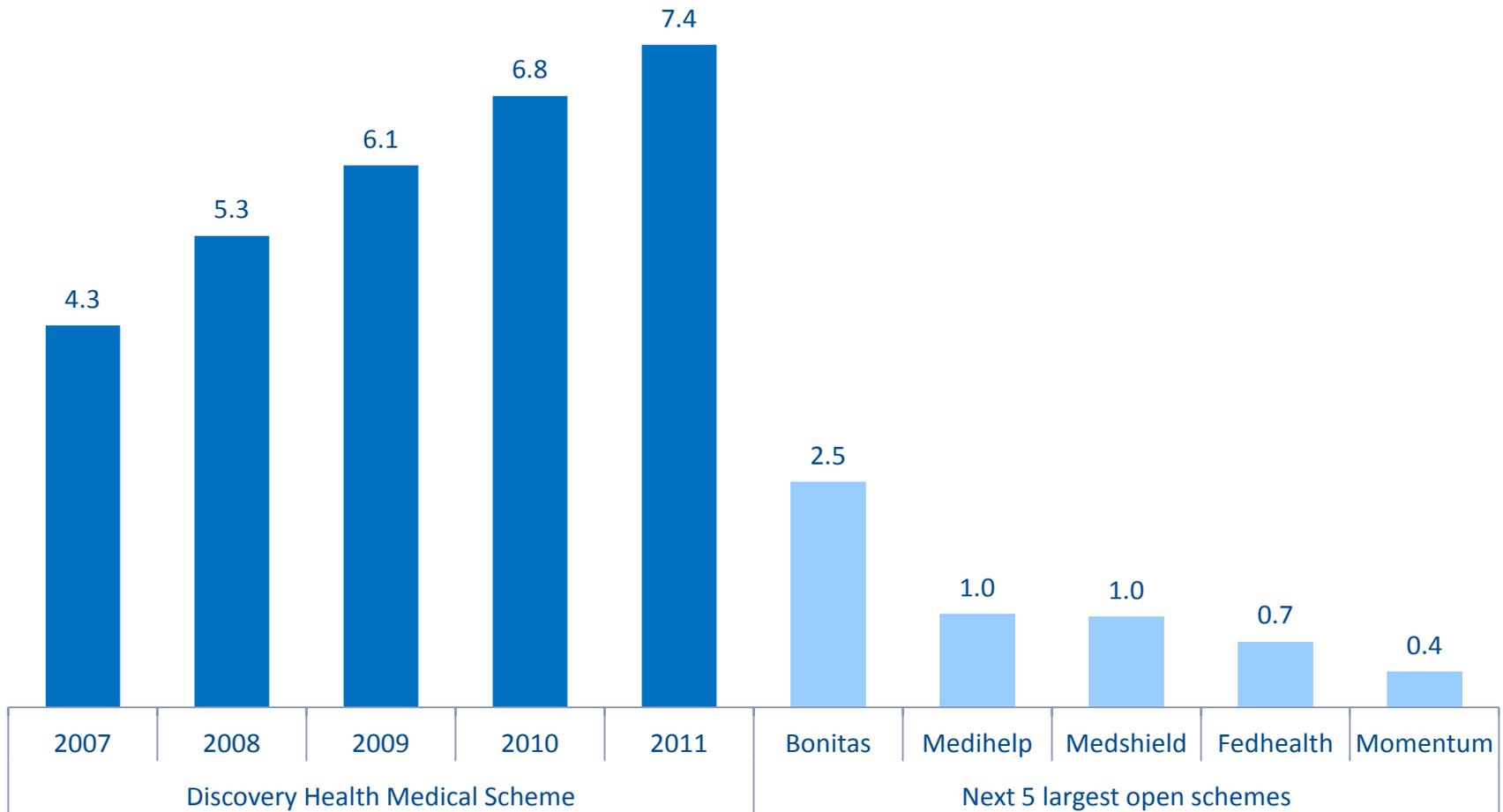
- Stringent service levels
- Service recognition

## 5 Governance

- Governance structure
- Adherence to best practice

# Discovery Health Medical Scheme reserve build-up

## Member reserves (R'billion)



# Industry ceiling Global Credit Rating

Medical Fund	GCR Rating
<b>DHMS</b>	<b>AA+</b>
<b>Medihelp</b>	<b>AA-</b>
<b>Fedhealth</b>	<b>AA-</b>
<b>Medshield</b>	<b>AA-</b>
<b>Liberty</b>	<b>AA-</b>
<b>Bonitas</b>	<b>A+</b>
<b>Sizwe</b>	<b>A+</b>
<b>Momentum</b>	<b>A+</b>
<b>Resolution</b>	<b>A-*</b>

\* Placed on rating watch

- Global Credit Rating is an independent rating agency
- The credit rating reflects a medical scheme's ability to pay members' claims
- DHMS has been awarded the highest possible rating for 12 consecutive years

# Key performance metrics

## 1 Continued, sustainable growth

- New business
- Withdrawals
- Plan movement

## 2 Financial strength and sustainability

- Member reserves
- Independent credit rating

## 3 Managing cost of care

- Contribution competitiveness and increases
- Benefit coverage & Strategic benefit alignment
- Fraud and abuse
- NHE

## 4 Operating and service performance

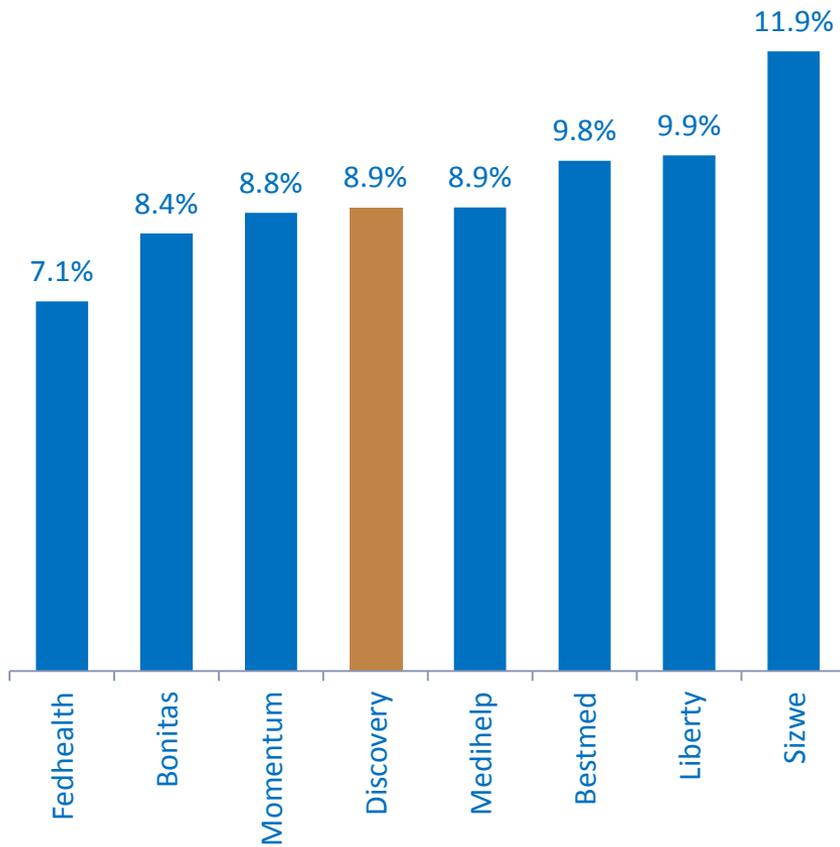
- Stringent service levels
- Service recognition

## 5 Governance

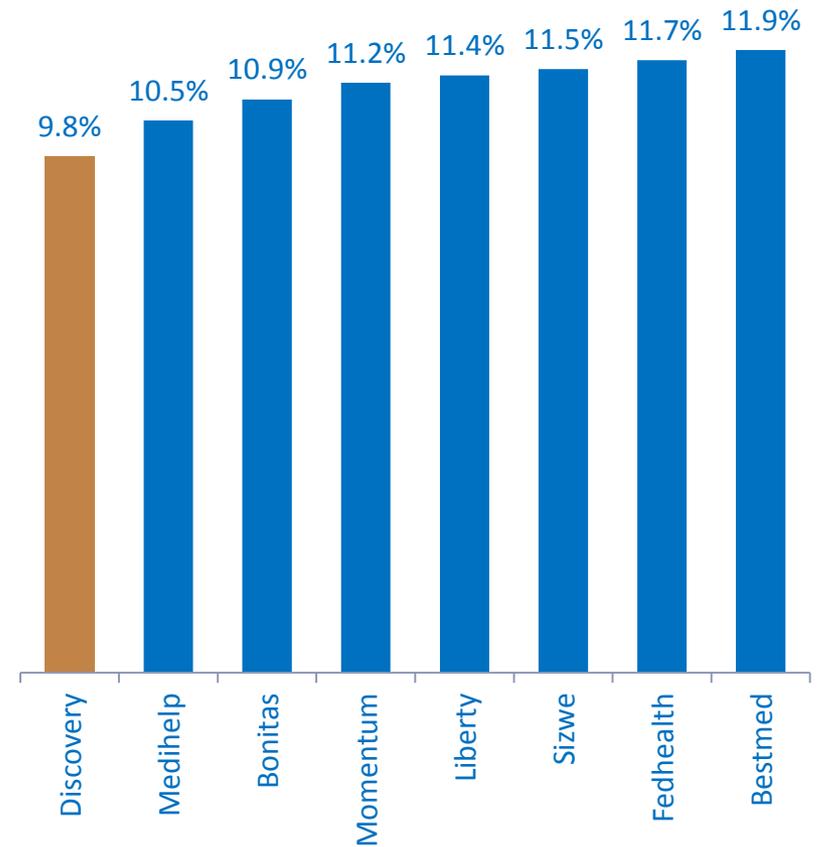
- Governance structure
- Adherence to best practice

# Contribution increases for the larger open schemes

## 2012 Headline increases



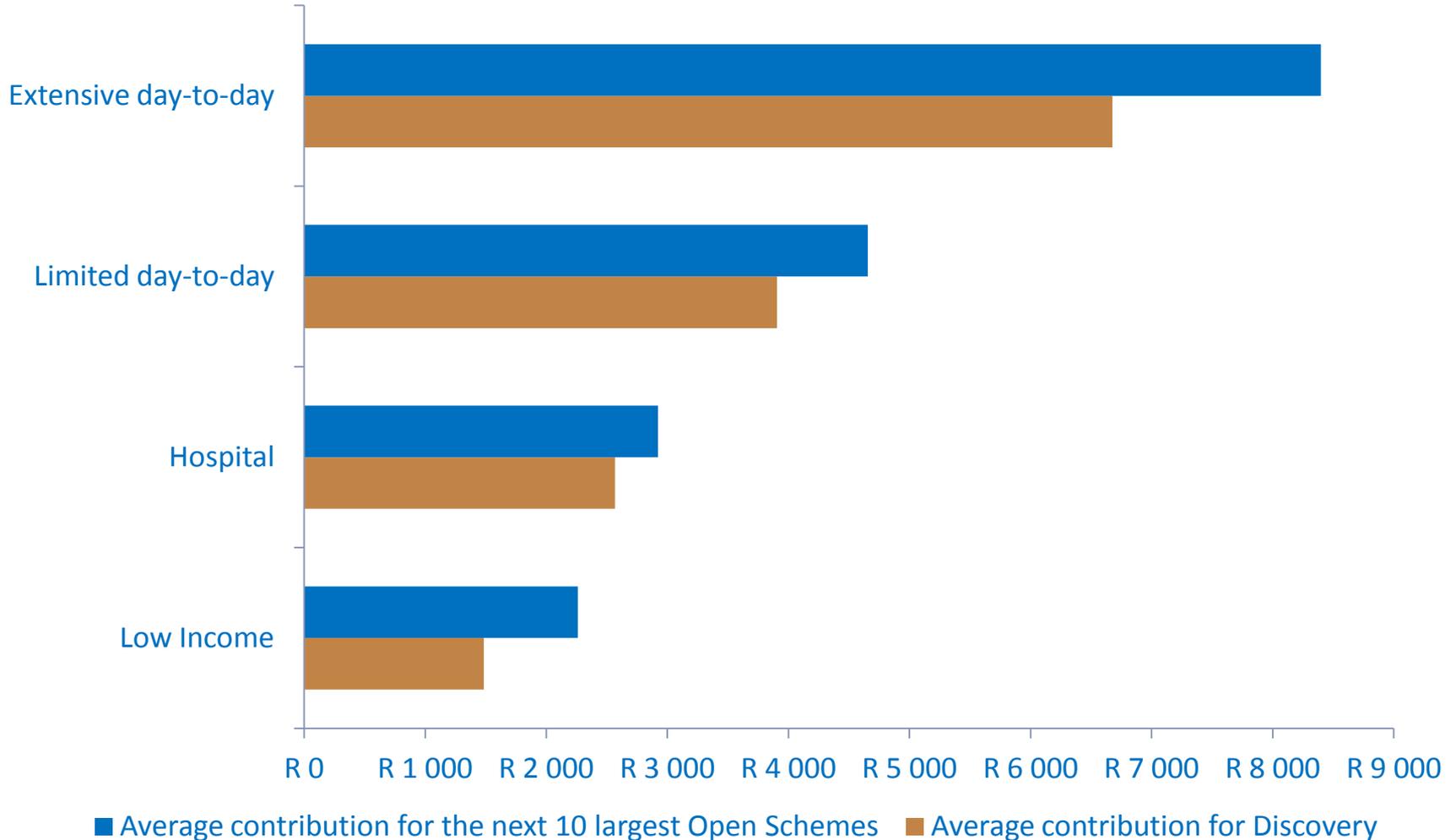
## 5 year annualised increases



# Providing the most affordable plans across the spectrum



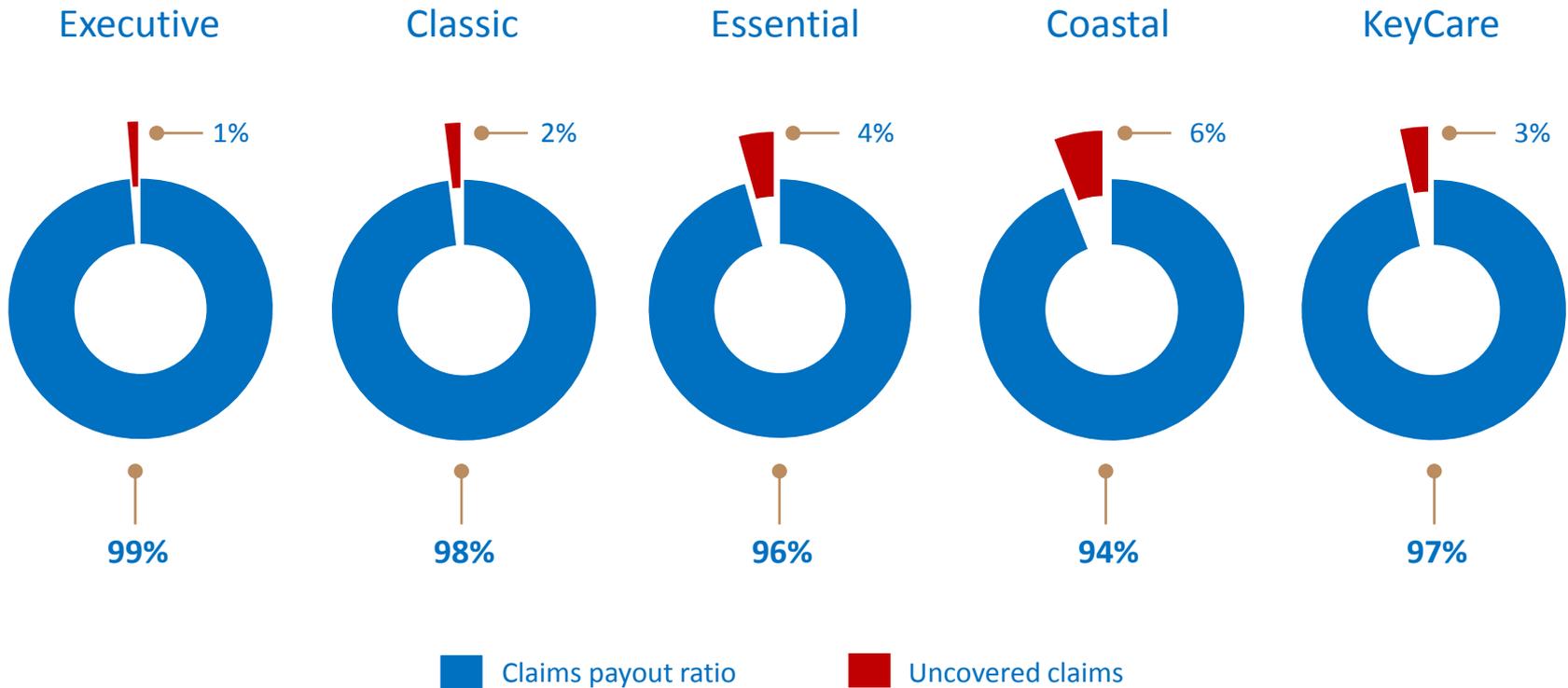
## Average contributions for a family of four



# Comprehensive benefit coverage



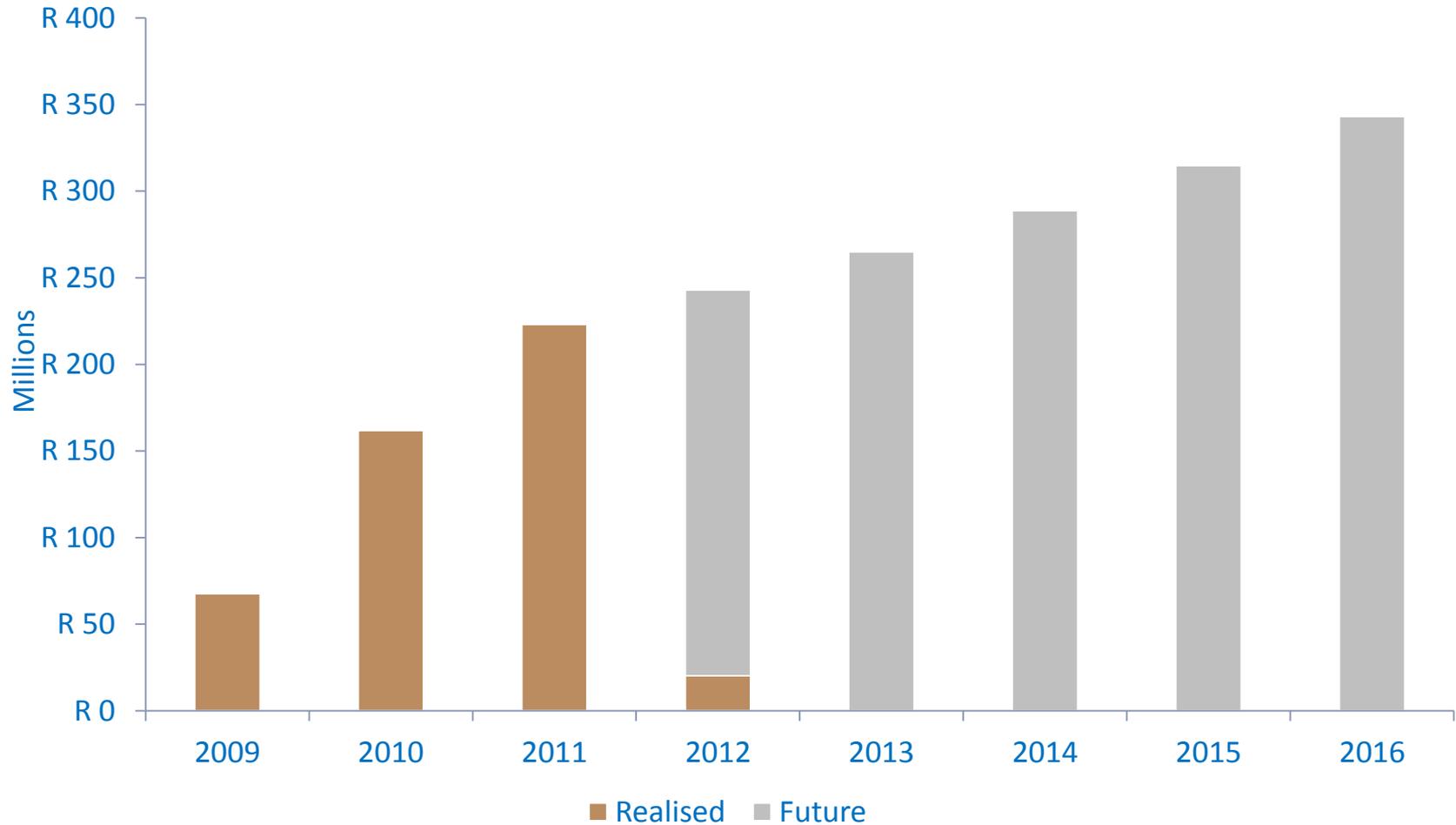
## In-hospital claims payout ratios (including medical specialists)



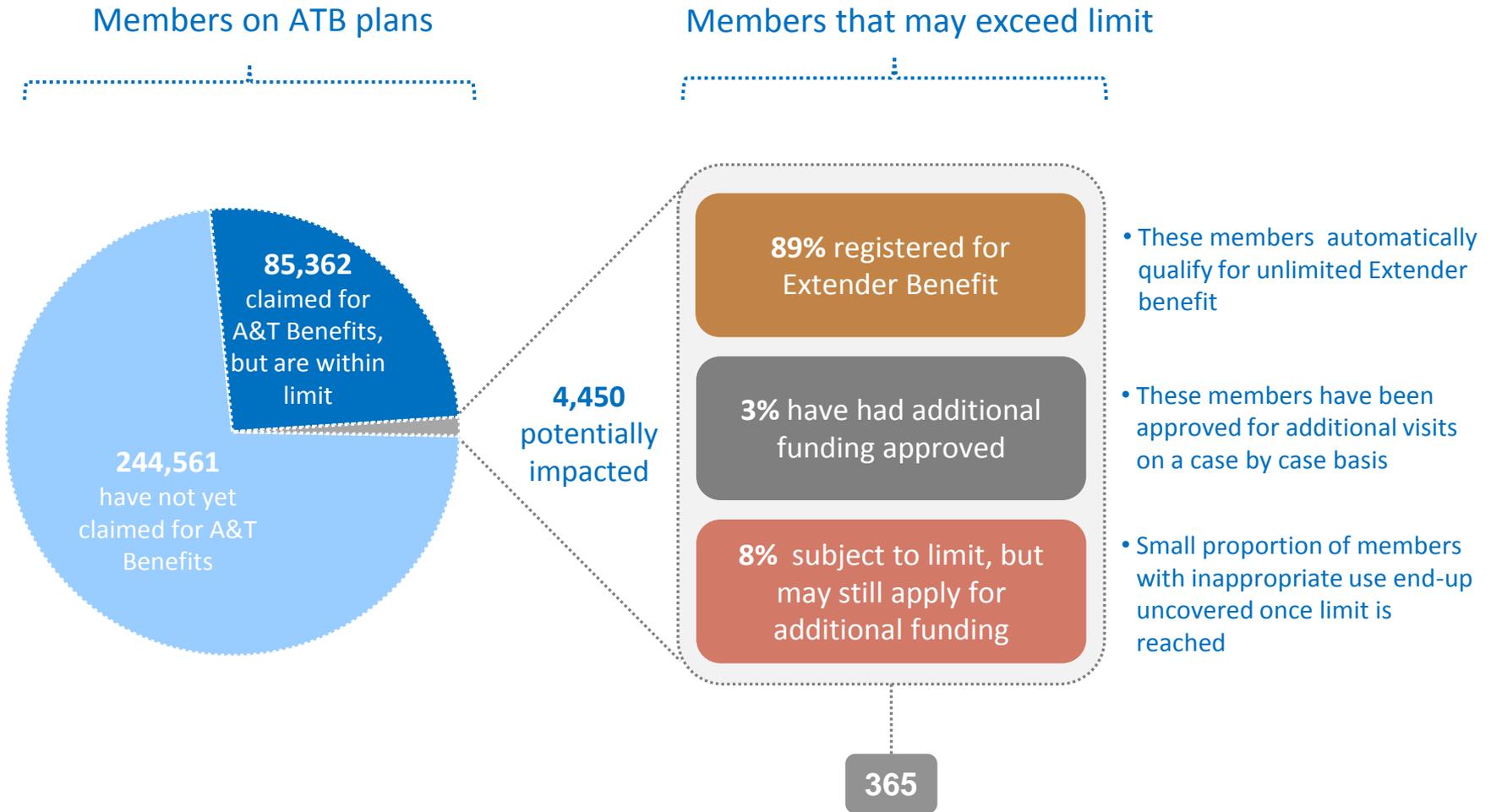
# Using health analytics to reduce fraud - Impact of InForma interventions



## InForma recoveries and future savings



# Strategic benefit alignment: The Allied and Therapeutic Benefit



ATB plans had 334 373 members at the end of March 2012, of which less than 400 are exposed to the limit

# Strategic benefit alignment: The Allied and Therapeutic Benefit

---

## Additional benefits review process:

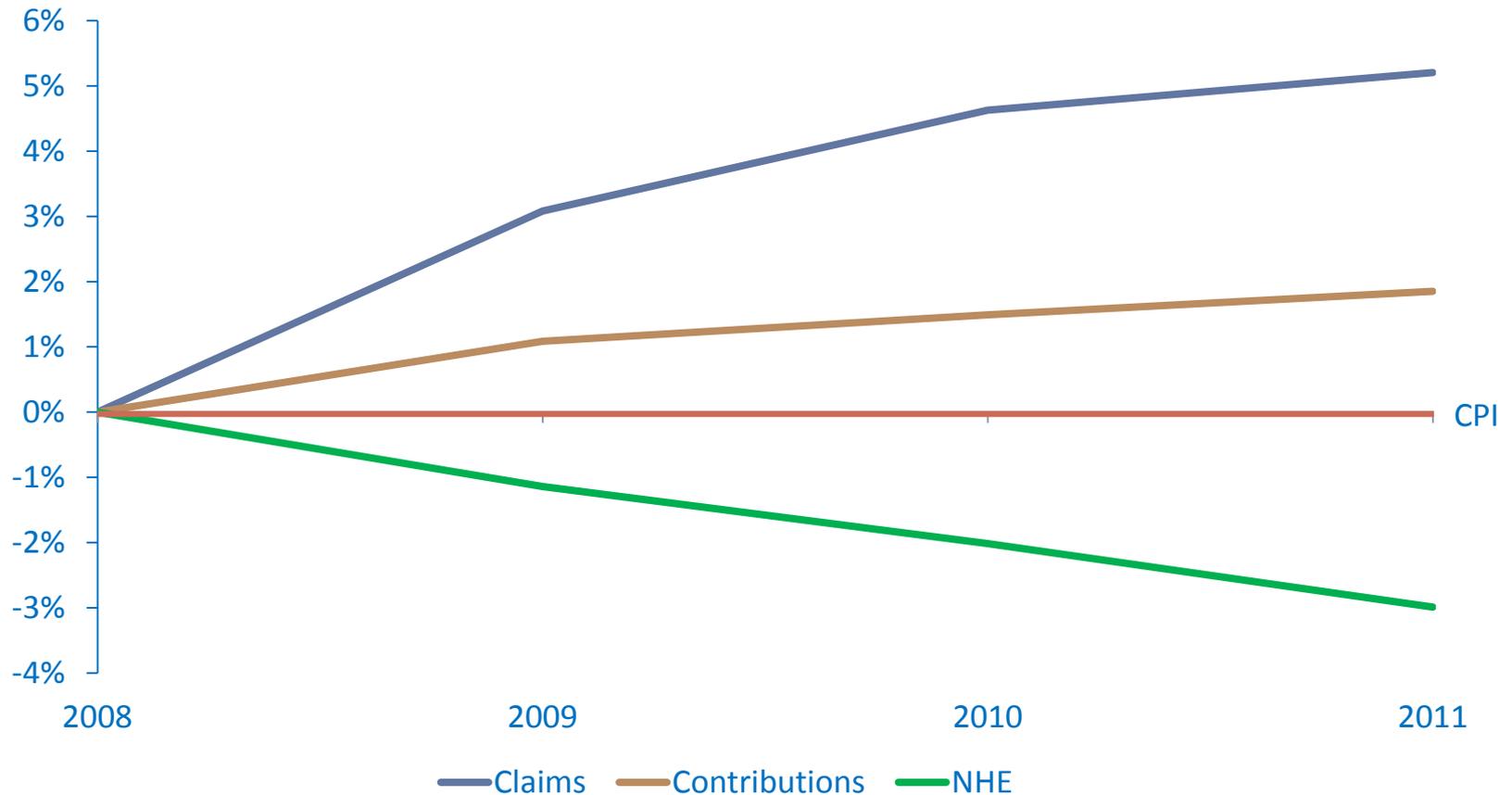
- 1 Proactively contact members approaching 80% of the Allied and Therapeutic Benefit limits
- 2 Members apply for additional Allied and Therapeutic Benefit funding
- 3 Applications for Allied and Therapeutic Benefit funding reviewed by an external panel
- 4 Additional Allied and Therapeutic Benefit funding granted upon approval

**To date, 142 members have had additional funding approved with an average turnaround time of 12 days**

---

# Non-healthcare expenditure is the only cost driver that is reducing in real terms

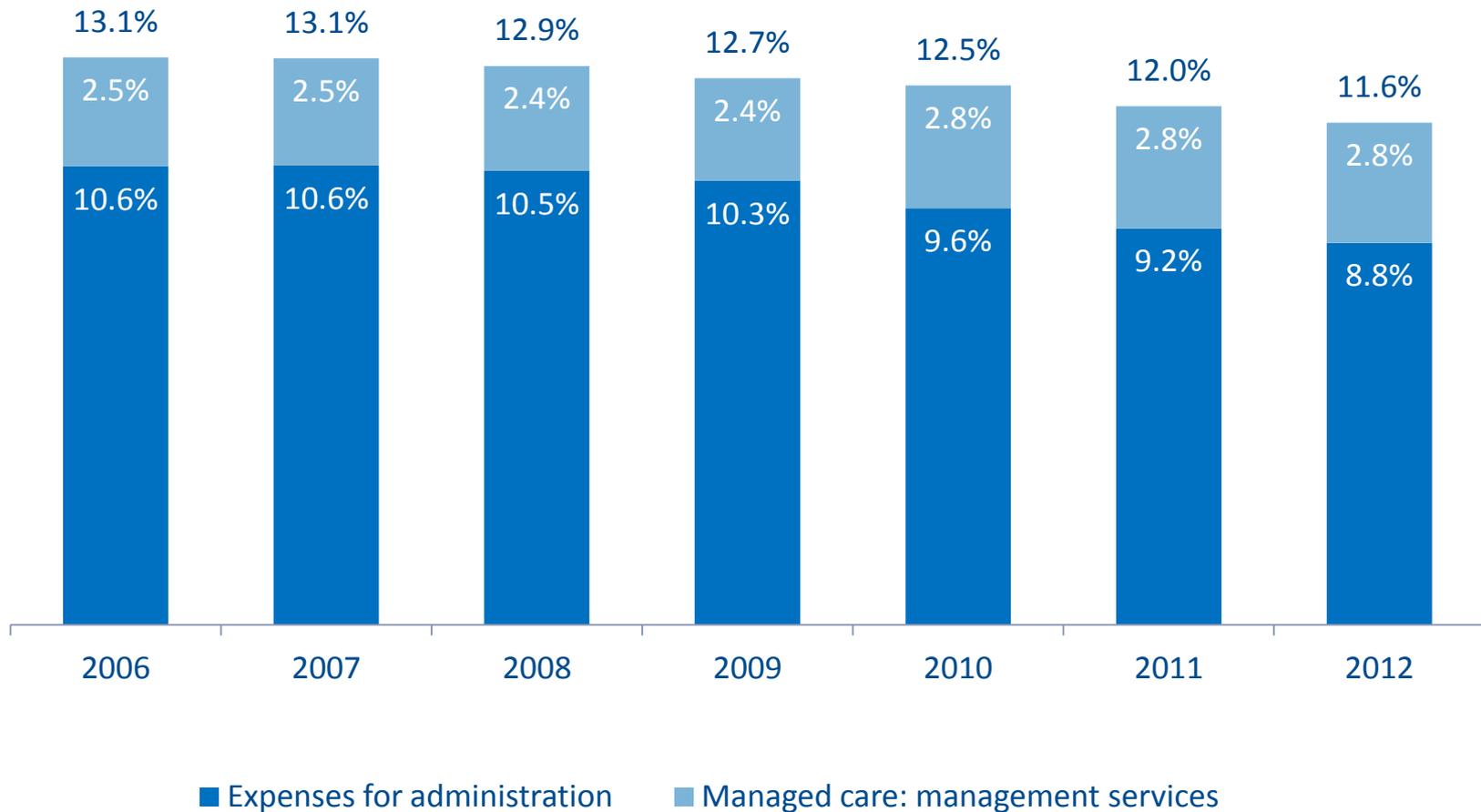
## Cumulative claims, contributions and non-healthcare costs relative to inflation



# Trends in administration and managed care costs



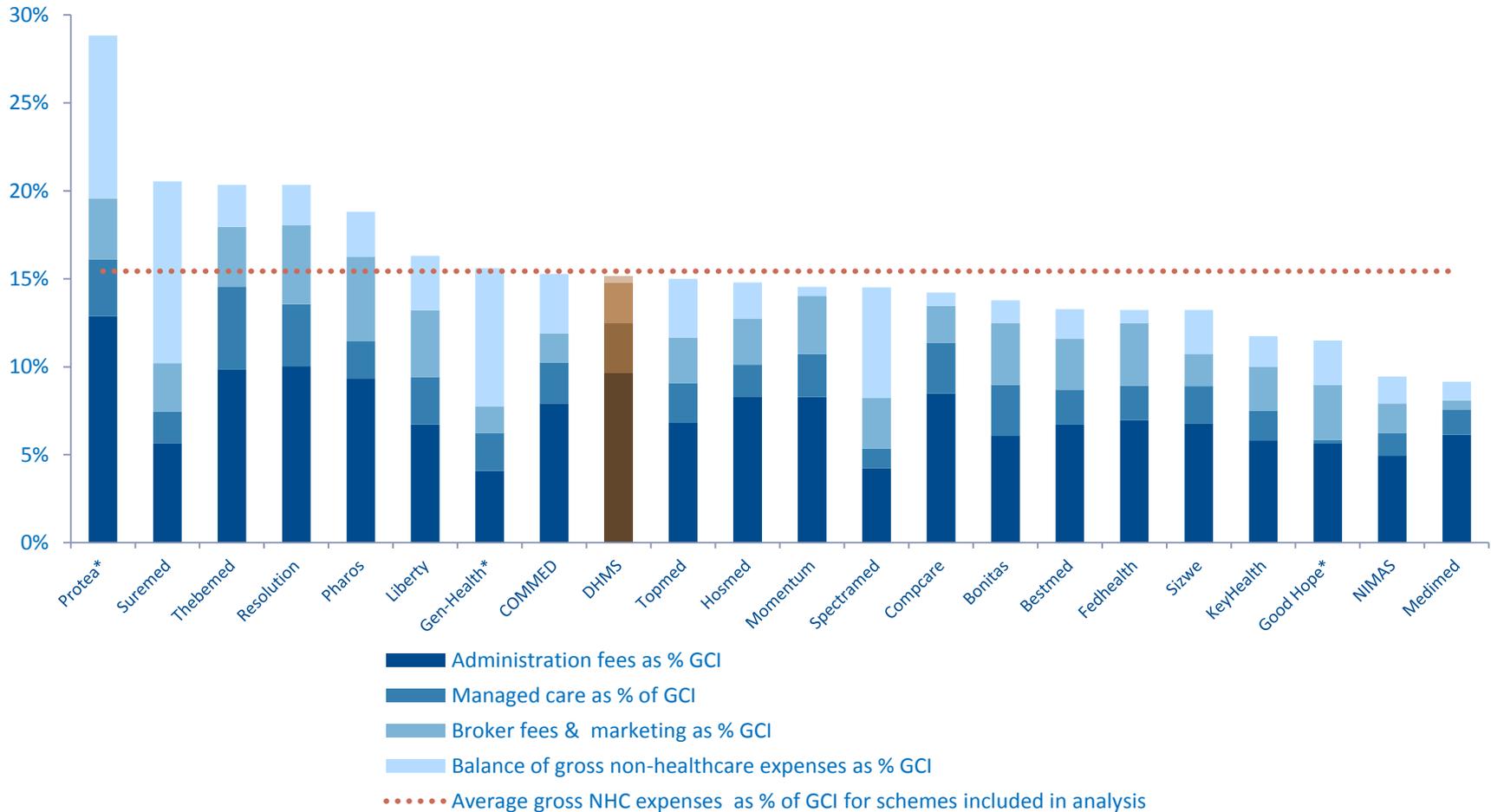
DHMS Total NHE as a percentage of GCI has been reducing consistently over time



# Benchmarking: Open medical schemes market



DHMS total NHE as a percentage of GCI is below the industry average for externally administered open schemes



Source: 2010/11 CMS Annual report

Note: Includes all open schemes; excluding self-administered schemes; schemes marked with an asterisk were liquidated after 2010.

# Key performance metrics

## 1 Continued, sustainable growth

- New business
- Withdrawals
- Plan movement

## 2 Financial strength and sustainability

- Member reserves
- Independent credit rating

## 3 Managing cost of care

- Contribution competitiveness and increases
- Benefit coverage & Strategic benefit alignment
- Fraud and abuse
- NHE

## 4 Operating and service performance

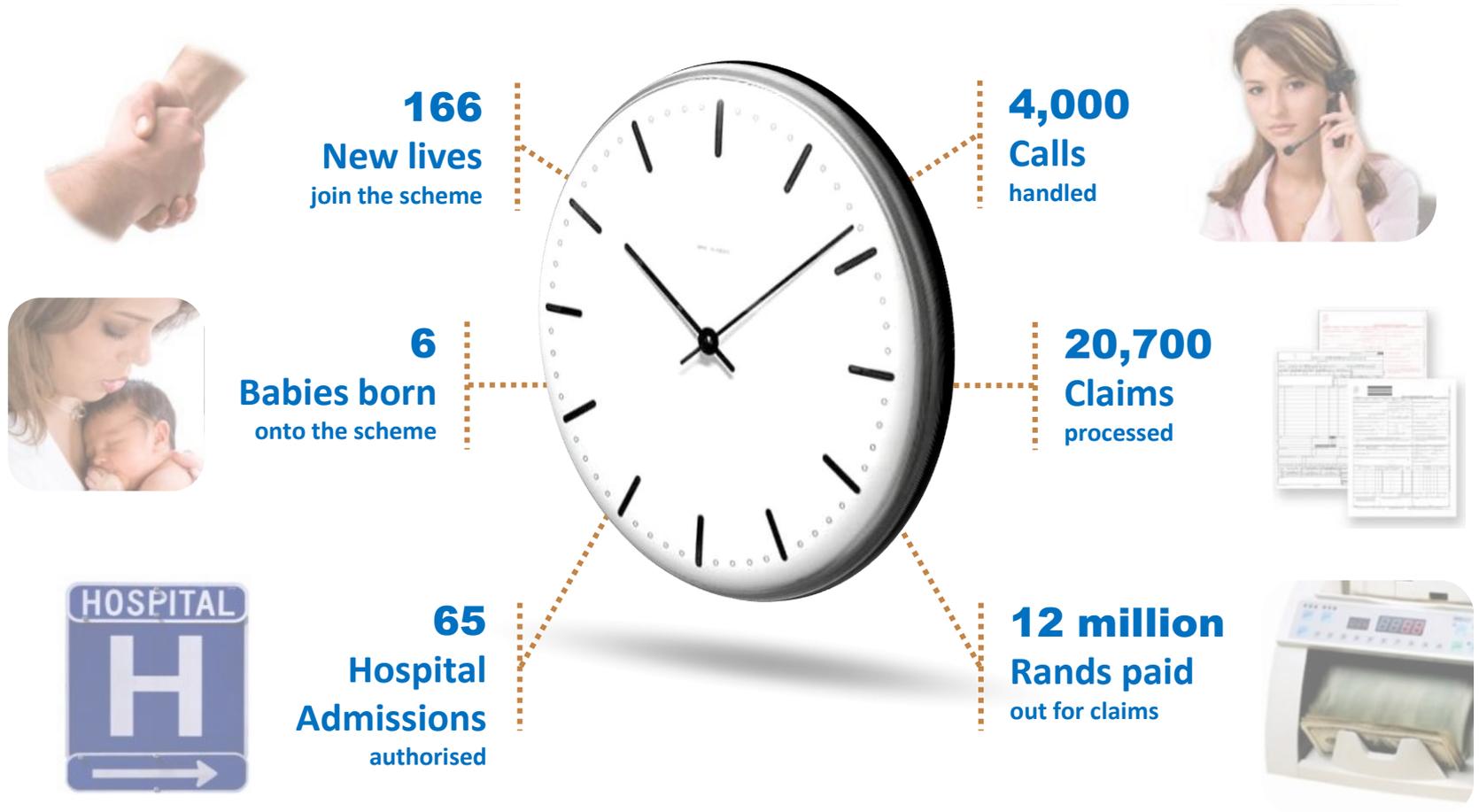
- Stringent service levels
- Service recognition

## 5 Governance

- Governance structure
- Adherence to best practice

# Scale of Discovery Health Medical Scheme operations

In every working hour:



# Discovery Health Medical Scheme operational metrics

Billing	
Total billed per month (R'bn)	2.9
Outstanding - debit %	-0.05%

New Business	
Volume of applications processed daily	2,716
Receipt of application to issue of welcome pack	3 days 08:50 hrs

Claims	
Claim volumes per month (million)	3.7m
% of claims submitted electronically	88%
Paid per working hour (Rm)	R12m
% claims paid directly to health professionals	94%

Hospital utilisation	
Authorisations per month	50,000

Health Professionals	
GPs Enrolled	4,063
% Consults within GP network	88%
Specialists enrolled in DPAs	4,359
% Consults within DPAs	86%

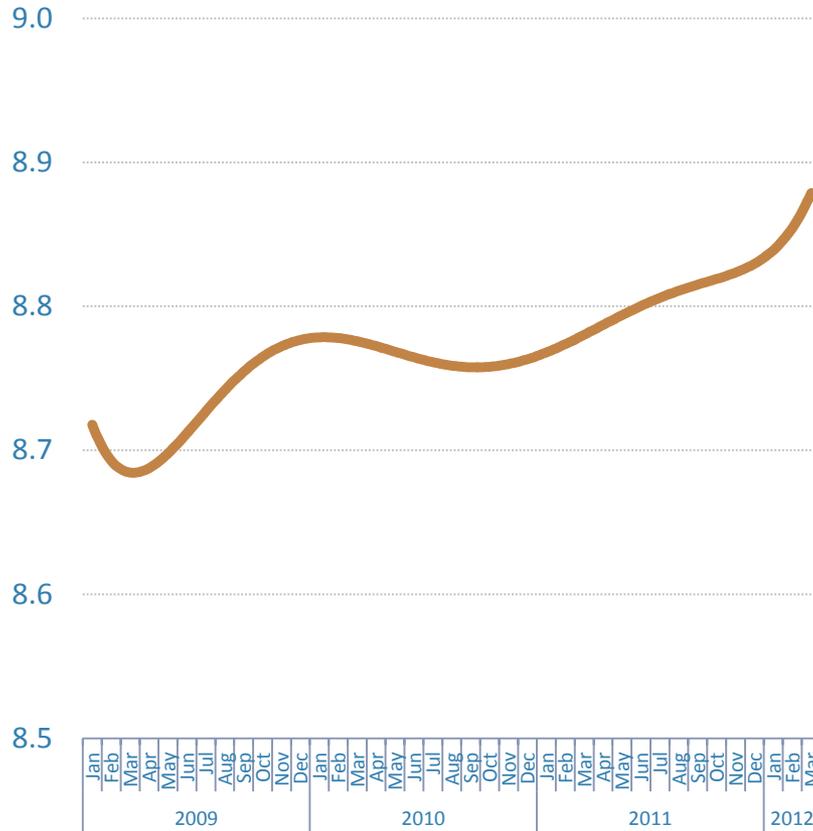
Corporate Wellness	
Wellness Days in 2011	2,039
Wellness Days - Attendees in 2011	125,291
HCT Events in 2011	1,378
HCT- Attendees in 2011	52,969

HCT= HIV Counselling & Testing

Client and member service	
Number of calls per day	34,051
Patient visits by MLMs per month	7,336
Walk In Centre visits per month	5745

# Continued improvement in objectively measured service levels

## Member service perceptions (out of a maximum score of 10)



## Service and operational infrastructure ISO Accredited

*“This is the first time in my 15 years of auditing that an organisation of this size and complexity... is certified without any non-conformance to the ISO standard, whether a minor or a major non-conformance.”*

**Martin Prinsloo, CEO, DNV**



**International  
Organization for  
Standardization**

# Key performance metrics

## 1 Continued, sustainable growth

- New business
- Withdrawals
- Plan movement

## 2 Financial strength and sustainability

- Member reserves
- Independent credit rating

## 3 Managing cost of care

- Contribution competitiveness and increases
- Benefit coverage & Strategic benefit alignment
- Fraud and abuse
- NHE

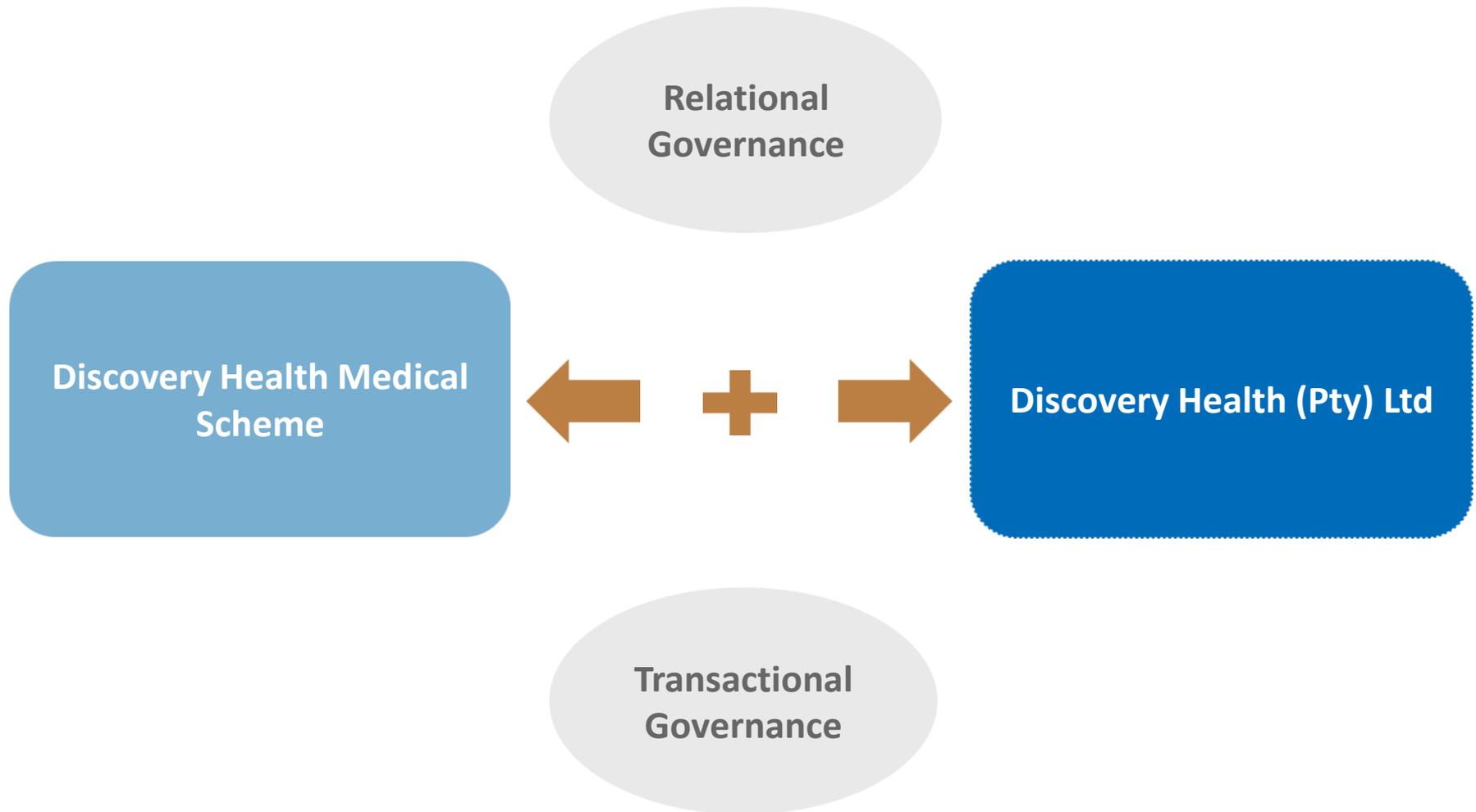
## 4 Operating and service performance

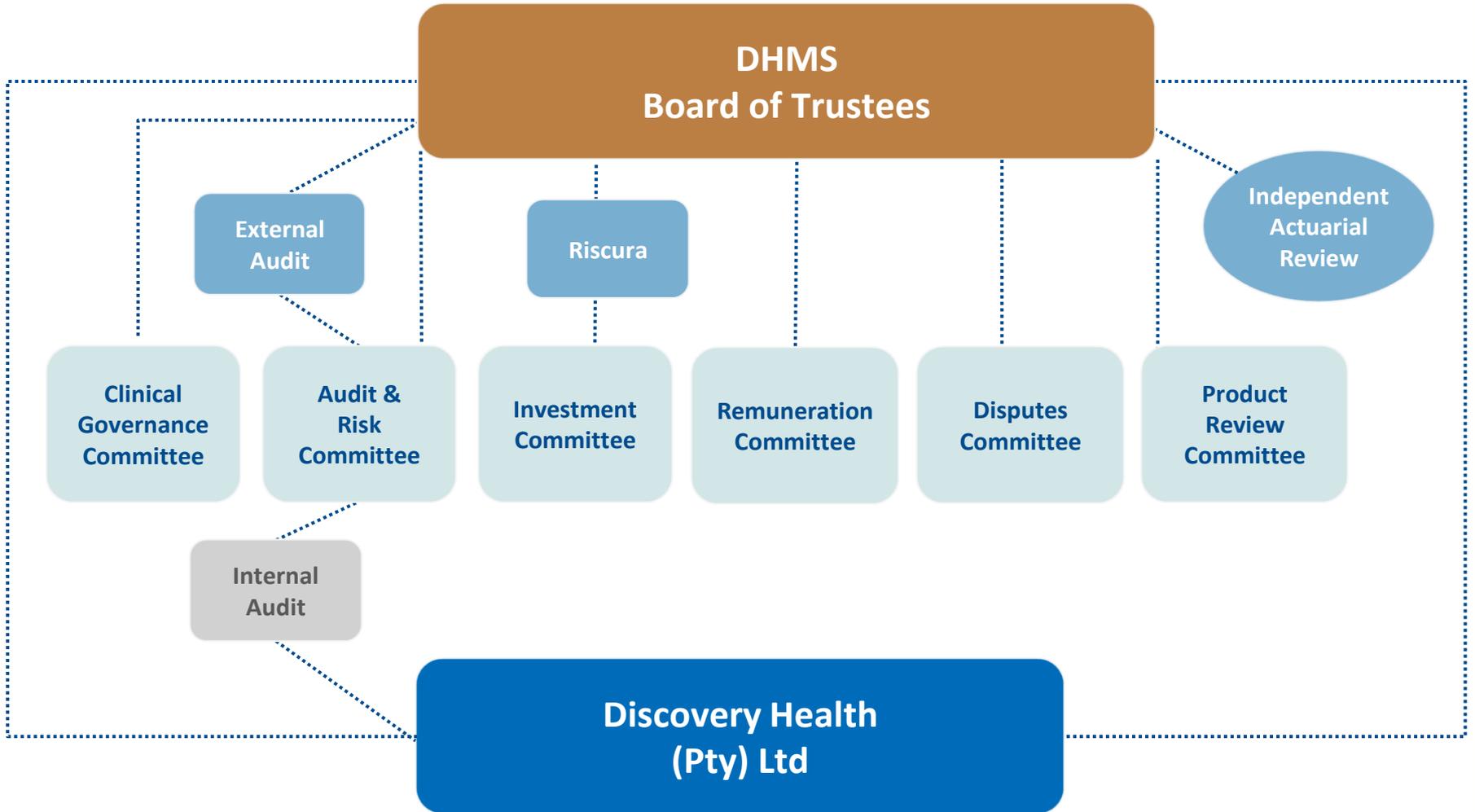
- Stringent service levels
- Service recognition

## 5 Governance

- Governance structure
- Adherence to best practice

# Governance structures in strategic alliances and outsourcing business models





# Discovery Health Medical Scheme Board of Trustees



**Adv**

**Michael van der Nest**



Chairperson of BOT & Remuneration Committee  
BA (Law) LLB (Stellenbosch)  
Occupation: Senior Counsel

**Dr**

**Nozipho Sangweni**



Deputy Chairperson of BOT,  
Chairperson of Clinical Governance Committee  
MBChB (Natal), DOH (Wits), DCAM (IATA), Occupation: SAA CMO

**Adv**

**Noel Graves**



Trustee  
BA LLB (UCT)  
Occupation: Senior Counsel

**Giles Waugh**



Trustee  
FIA, FASSA  
Occupation: Actuary

**Puke Maserumule**



Trustee, Chairperson of Investment Committee  
BA (Law) LLB (UCT),  
Post-graduate Diploma in Labour Law (UJ)  
Occupation: Founder and chairperson, Maserumule Incorporated Lawyers

**Prof**

**Zephne van der Spuy**



Trustee  
MBChB (Stellenbosch), MRCOG, FRCOG 1991 (Royal College of Obstetricians and Gynaecologists), PhD (University of London), FCOG (SA) (SA College of Obstetricians and Gynaecologists) Occupation: Prof. of Obstetrics and Gynaecology, UCT

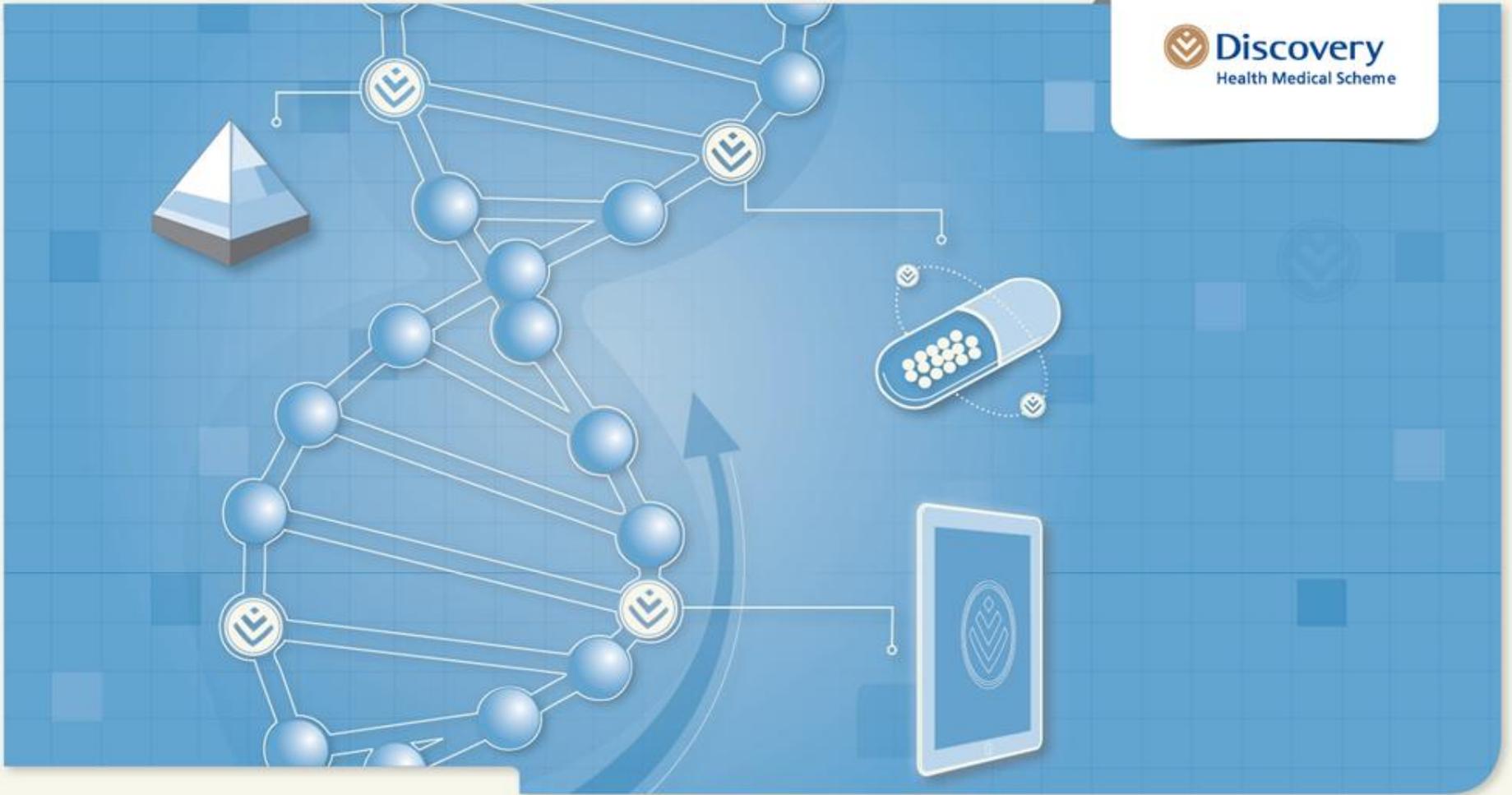
**Barry Stott**



Trustee  
CTA (Wits), CA (SA), Occupation: Non-executive company director, retired partner, PwC Inc, responsible for financial services

# Key performance metrics

1	<b>Continued, sustainable growth</b>	▶	<ul style="list-style-type: none"><li>• Net growth in lives covered: 5%</li><li>• Age profile of new lives significantly better than the existing base</li></ul>
2	<b>Financial strength and sustainability</b>	▶	<p><b>AA+</b> Credit rating</p> <p><b>R 7.4bn</b> Member reserves</p>
3	<b>Managing cost of care</b>	▶	<ul style="list-style-type: none"><li>• Significant average premium differential</li><li>• Contribution increases consistently below market average</li><li>• Comprehensive benefit coverage and strategic benefit alignment</li><li>• Continuous reduction in NHE</li></ul>
4	<b>Operating and service performance</b>	▶	<ul style="list-style-type: none"><li>• Consistent improvement in client perception and service</li></ul>
5	<b>Governance</b>	▶	<ul style="list-style-type: none"><li>• Best of breed governance structures</li><li>• Governance review - 2012</li></ul>



20  
12



## Discovery Health Medical Scheme Highlights for 2011

Milton Streak  
Principal Officer