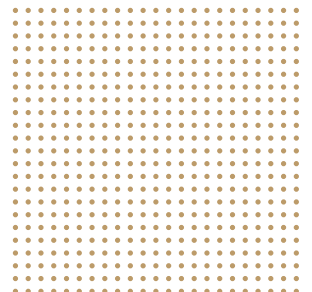




For the benefit of our  
**members**

2016 Integrated Annual Report





# 2016

## Integrated Annual Report

Discovery Health Medical Scheme's Integrated Annual Report is designed to cater for various readers by grouping information in a logical way according to different levels and areas of interest. The chapters in the Report can be read as standalone pieces for this purpose. Below we describe what is in each chapter and its intended audience.

### About our Report

Inside  
flap

Sets out the assurances provided for this Report and its purpose, scope and boundary, and the Board's statement of responsibility.

### Performance Highlights

02

For readers who want a quick view of key performance trends and 2016 highlights. Detailed performance information can be found in the Performance chapter.

### About DHMS

04

For current and potential members, this chapter provides an overview of the Scheme, who leads and governs it and how it achieves its objectives.

This section also discusses how each of the Scheme's key stakeholders obtain value from the Scheme, within the context of the Scheme's primary responsibility to create value for its members. It may therefore be of interest to healthcare providers and other stakeholders of the Scheme.

### Governance

36

For our regulators and other readers who are interested in the details of the Scheme's governance, this chapter provides an overview from the Chairperson and a description of the legislation governing the Scheme and its governance structures and framework, including the Board of Trustees and Board Committees. It also reviews notable regulatory and industry matters dealt with during 2016.

### Performance

62

For members and regulators who are interested in more about the performance of the Scheme during 2016, this chapter provides management commentary on the Scheme's strategic, operating and financial performance during 2016. It also includes a review of initiatives undertaken by Discovery Health on behalf of the Scheme and its members.

### Financials

82

Full Annual Financial Statements and notes to the Financial Statements.

### Information Toolkit

154

A quick reference guide for contact information, feedback, compliments and complaints processes and guidance on where to find additional information.

### Glossary

Unfamiliar terms in the Report?  
Find definitions in our Glossary.

# 03

## About DHMS





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# WHO WE ARE

Discovery Health Medical Scheme (DHMS) is an open medical scheme. Any member of the public can join the Scheme, subject to its Rules<sup>1</sup>. Covering 2 735 191 beneficiaries at 31 December 2016, it is the largest open medical scheme in South Africa with an open medical scheme market share of 55%<sup>2</sup>.

The Scheme is a non-profit entity governed by the Medical Schemes Act<sup>3</sup> (the Act), and is regulated by the Council for Medical Schemes (CMS). The Scheme belongs to its members and an independent Board of Trustees (the Board) oversees its business.



Read more about the Board and management structures on **pages 18 – 25**.

The Scheme operates by way of a formal contractual arrangement with Discovery Health (Pty) Ltd, with its business model based on Vested® outsourcing.

## We exist for our members

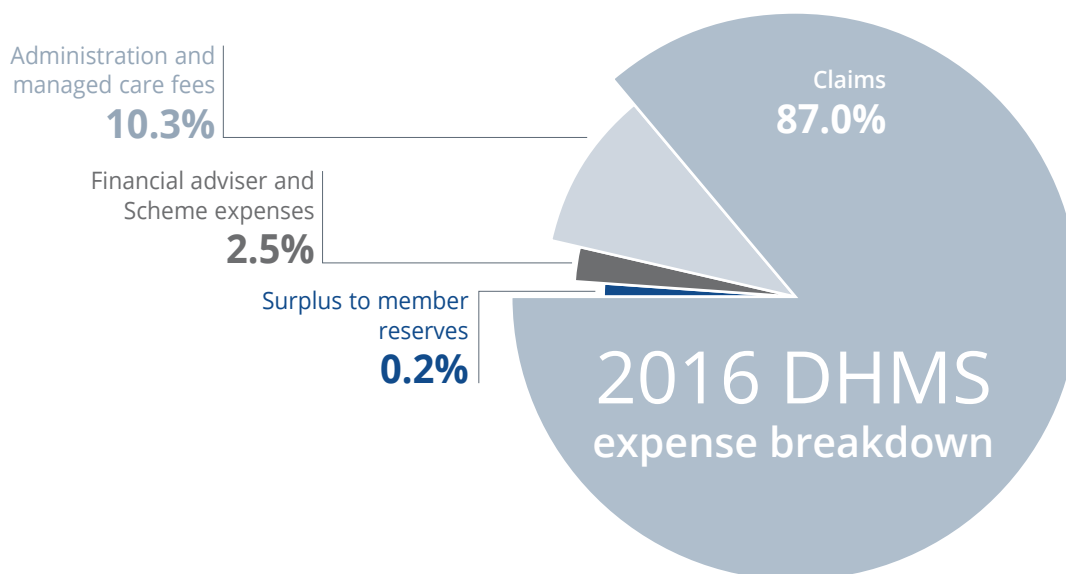
The Scheme's purpose is to care for our members' health and wellness by engaging the brightest minds and innovative solutions to provide access to affordable, equitable and quality healthcare that meets their needs now and into the future.

## 87% of contributions received are used to fund member benefits

The Scheme's income is predominantly derived from member contributions and investment returns. In pricing for contributions from members for each year, the Scheme's objective is to return a surplus to meet regulatory requirements as well as to have a cushion against unexpected cost increases. This is in accordance with the fundamental operating principles of a non-profit organisation.

The Scheme's income is used to fund activities to ensure the sustainability of the Scheme as well as those for the support and benefit of members – such as innovation, administration, managed care, financial advisers and the daily operations of the Scheme.

Apart from the reserves and these activities, all of the Scheme's income is used to fund claims.



<sup>1</sup> The Scheme Rules are available to registered users at [www.discovery.co.za/medical-aid/scheme-rules](http://www.discovery.co.za/medical-aid/scheme-rules).

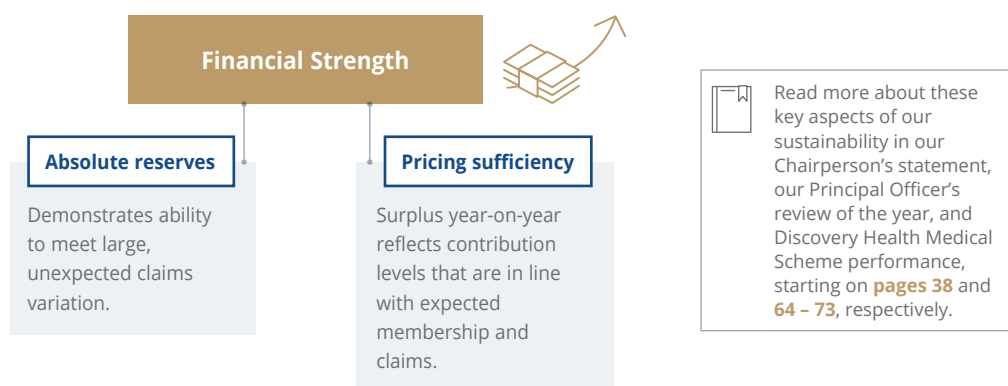
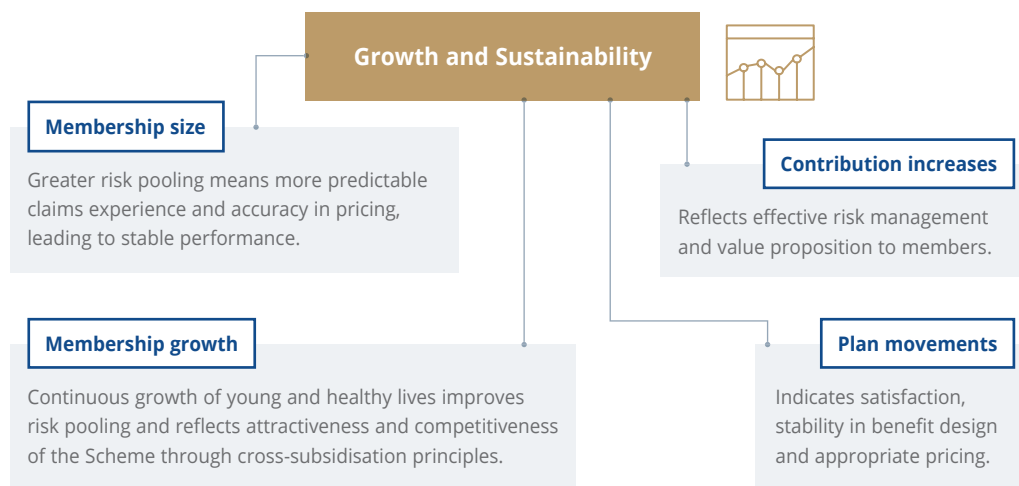
<sup>2</sup> Based on beneficiaries, according to the Council for Medical Schemes Annual Report 2015–2016 ([www.medicalschemes.com/Publications.aspx](http://www.medicalschemes.com/Publications.aspx)).

<sup>3</sup> Medical Schemes Act 131 of 1998, as amended.



## Ensuring the Scheme's sustainability

The Scheme's ability to pay claims and its sustainability over the long term are of critical importance to its members. The Scheme considers the following to be key metrics for its sustainability:



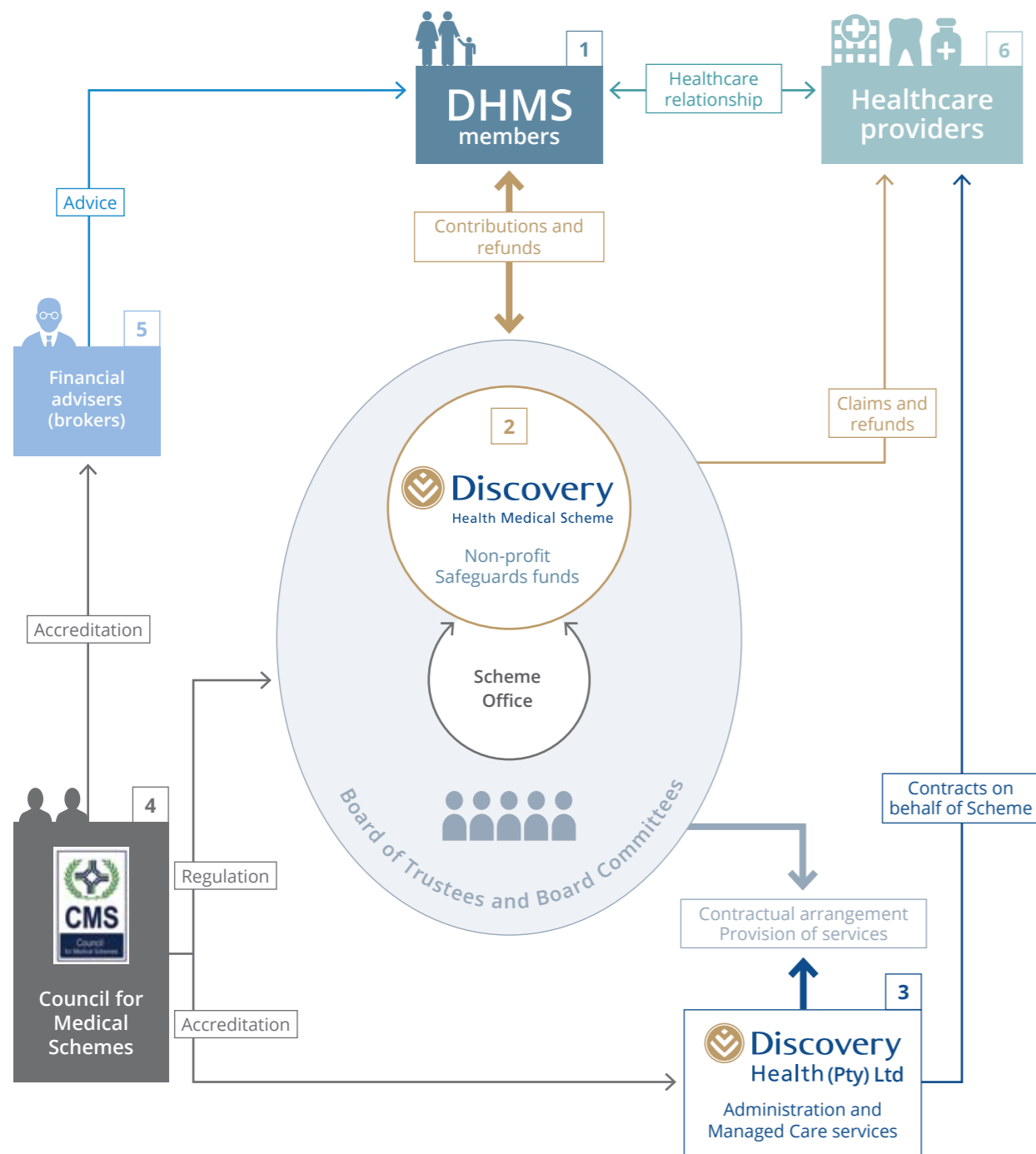
### DHMS receives exceptional value for its administration and managed care expenses

For every **R1** spent on administration and managed care fees in 2015, beneficiaries of the Scheme derived **R1.85** in value.

Read more about our business model and how we assess value received from Discovery Health on **pages 16 - 17**.



# OUR WORLD



## How our key stakeholders interact to create value for our members

### 1 DHMS members

Discovery Health Medical Scheme exists for its members. The Scheme's purpose is to care for our members' health and wellness by engaging the brightest minds and innovative solutions to provide access to affordable, equitable and quality healthcare that meets their needs now and into the future.

Any member of the public can join Discovery Health Medical Scheme<sup>1</sup> and can select from sixteen benefit options and six network efficiency discount options designed to cater for a wide range of affordability and healthcare needs<sup>2</sup>.

### 2 Discovery Health Medical Scheme

Discovery Health Medical Scheme is a registered medical scheme, and like all other medical schemes in South Africa is a non-profit entity. The Scheme pools all members' contributions in order to fund members' claims. Any surplus funds are transferred to Scheme reserves for the benefit of members. The Scheme exists to serve its members' interests through enabling the sustainable provision of high-quality and affordable healthcare to all of its members.

### Scheme Office

**(Principal Officer and executive management team)**  
The Board of Trustees appoints a Principal Officer, who is the chief executive officer of the Scheme and is accountable to the Trustees for the day-to-day management of the Scheme and the implementation of its strategy.

The Principal Officer, supported by an executive management team, is key to the effective operation of the Scheme. The Principal Officer and the management team collaborate closely with the Scheme's Administrator and Managed Care Provider, Discovery Health, in the implementation of strategy and daily operations. The management team's expertise includes medical, actuarial, risk management, business management, financial management, legal, compliance and research capabilities.

### Board of Trustees

The Trustees oversee the affairs of the Scheme in the best interest of our members and stakeholders.

Trustees are highly skilled individuals who offer their diverse knowledge and experience to the Scheme. They may be elected or appointed, but at any time at least 50% of the Board must be elected by Scheme members.

### Board Committees

The Board delegates some of its work to various Board Committees equipped with the necessary specialist skills. These Committees may consist of Trustees and/or additional independent members. All Committees report back to the Board and make recommendations in line with their respective mandates.

### 3 Discovery Health (Pty) Ltd

#### (Administration and Managed Care Provider)

Discovery Health has been appointed by the Trustees to provide administration and managed care services to the Scheme.

Administration services provided include:

- Member and provider servicing;
- Marketing, communication and advertising;
- Financial services;
- Governance, risk, compliance and internal audit;
- Research and development;
- Actuarial and business analytics;
- Benefit design; and
- Fraud and forensics investigation.

Managed care is the provision of appropriate, affordable, quality healthcare services through rules-based, clinical and disease management programmes.

Managed care services provided include:

- Active disease risk management and support services;
- Hospital benefit management services;
- Managed care network, negotiations and risk management services; and
- Pharmacy benefit management services.

### 4 Council for Medical Schemes

The CMS is a statutory body responsible for regulating the medical schemes industry in South Africa: it administers and enforces the Act.

### 5 Financial advisers

Financial advisers (commonly referred to as "brokers") provide members with independent advice about their health plan options based on individual medical and affordability needs.

Financial advisers are regulated by and must be registered with the Financial Services Board. In addition, they are accredited by the CMS to provide advice on private healthcare cover. The Scheme pays contracted financial advisers a legislated commission.

### 6 Healthcare providers

Healthcare providers are the health professionals who deliver healthcare services, for example, doctors, nurses, dentists, specialists, hospitals, pharmacies and managed care organisations.

Read more about how the Scheme creates value for all its stakeholders on [pages 26 - 35](#).

<sup>1</sup> Subject to any applicable Scheme Rules and restrictions of the Medical Schemes Act.  
<sup>2</sup> Members and potential members can discuss their unique needs with a financial adviser to select the most appropriate plan for them.

# OUR OPERATING CONTEXT

Healthcare in South Africa is governed by the Department of Health, which established the Council for Medical Schemes (CMS) to regulate the private healthcare sector according to the Medical Schemes Act 131 of 1998, as amended (the Act). The CMS interacts frequently with the industry and publishes regular circulars to guide medical schemes on interpreting and implementing the Act. It also reviews the finances, benefit plans and rules of each scheme. The CMS also accredits medical scheme administrators and managed care providers to provide services to medical schemes and their members, and accredits financial advisers to provide advice to the public on private healthcare cover.

During 2016, there were 83 medical schemes registered with the CMS covering over 8.8 million beneficiaries and with total contributions of approximately R151.6 billion<sup>1</sup>. DHMS facilitates access to private healthcare for over 2 735 000 beneficiaries<sup>2</sup>, approximately 31% of the industry.

All medical schemes in South Africa are non-profit entities that operate in a complex and tightly regulated sector. Schemes price their benefit plans for the following year based on utilisation, financial performance and industry factors, as well as on financial and actuarial forecasts. Pricing is a function of balancing a number of factors – holding sufficient reserves to weather times of economic difficulty, to address increased utilisation of healthcare services and the cost of treatment, optimising benefits and ensuring equitable treatment of all scheme members, while keeping contributions affordable.

Through its Administrator and Managed Care Provider, Discovery Health, DHMS works to ensure better coordinated and higher quality of care for its members in a fragmented healthcare system. The Scheme also works closely with regulatory authorities as necessary, which in the last few years has related to Prescribed Minimum Benefit (PMB) reforms by the CMS, the National Healthcare Insurance (NHI) debate and the Competition Commission's inquiry into private healthcare in South Africa.

<sup>1</sup> Source: CMS Annual Report 2015–2016 ([www.medicalschemes.com/Publications.aspx](http://www.medicalschemes.com/Publications.aspx)).  
<sup>2</sup> At 31 December 2016.





THE SCHEME'S MATERIAL MATTERS ARE THE MOST IMPORTANT ASPECTS THAT UNDERPIN ITS ABILITY TO CREATE VALUE FOR ITS MEMBERS AND ENSURE SUSTAINABILITY IN THIS COMPLEX OPERATING ENVIRONMENT.

Our material matters are interrelated, reflect the Scheme's top risks and, with careful management, present opportunities for the Scheme to differentiate itself, enhance its reputation and protect its leading market position in South Africa. The Trustees review material matters formally on an annual basis in relation to the Scheme's strategic objectives.





# OUR STRATEGY

The Trustees regularly review the Scheme's major risks, focus areas, potential challenges and opportunities and performance towards objectives. A formal strategy session is held once a year, and the Trustees provide regular guidance to the Scheme Office on strategic direction and responding to emerging risks.

Considering internal and external factors and material risks is essential to ensure that the strategy is responsive to the operating environment and the needs of stakeholders, in the context of the Scheme's long-term sustainability. While these considerations require that the strategy evolves over time, its development is always guided by the Scheme's core purpose: to care for our members' health and wellness by engaging the brightest minds and innovative solutions to provide access to affordable, equitable and quality healthcare that meets their needs now and into the future. As such, we strongly support the development of a member-centric healthcare system.

Once the Trustees have set the strategy, they identify or reconfirm relevant strategic themes. These are broken down into work streams, aimed at achieving specific objectives related to the theme. Key performance indicators are set for each work stream so that the Trustees can objectively measure progress and assess outcomes. The work streams are not necessarily tied to a specific benefit year, and may be carried over to the following year or even over several years depending on the complexity of the objectives. Work streams and related objectives are adjusted in response to changing circumstances. The work involved in achieving strategic objectives (which incorporates risk mitigation) is monitored by the Scheme Office through weekly management meetings as well as through formal individual performance reviews.

The strategic themes discussed in our 2015 Integrated Annual Report have been retained but their wording and categorisation has been amended in line with management's priorities, as shown in the table alongside. They are shown in relation to the top risks the Scheme faces and the material matters that affect its ability to create value for members and ensure its sustainability.

## LINKING RISKS, STRATEGY AND MATERIAL MATTERS

### TOP RISKS AND MITIGATION

#### Contribution competitiveness and affordability

Maintaining annual contribution increases at the lowest possible level while offering members access to optimised benefits and service levels in accordance with their chosen benefit plan is core to the Scheme's strategy. Claims and therefore contributions are expected to continue increasing at a rate higher than consumer price inflation (CPI) due to tariff and utilisation increases, supply and demand side factors, including new technology, high-cost procedures and drugs, and legislative requirements within the private healthcare system. Through Discovery Health, the Scheme continues to benefit from interventions that support affordability, which is fundamental to its ability to attract members whose risk profile supports the sustainability of the Scheme.

#### Insurance risk

Contribution rates are set before the end of each benefit year for the following year. In addition, benefits are changed and innovations are introduced with the aim of increasing value to members. There is a risk of claims being higher than the expected contribution income, taking into account the actual impact of the benefit changes and innovations with a resultant negative impact on the Scheme's financial position. New high-cost procedures, drugs and devices also place the Scheme at risk from both financial and stakeholder impact perspectives. These drivers of healthcare utilisation and cost inflation are closely monitored by the Scheme and Discovery Health and longer-term strategic interventions, as well as shorter-term tactical interventions in response to emerging trends, are implemented to mitigate the impact on the Scheme's financial position and sustainability.

#### Investment risk

The Scheme invests members' funds in a variety of asset classes with the objective of maximising targeted investment returns, within risk appetite parameters set by the Trustees. Careful management of the Scheme's investment strategy by the Scheme Office and governing bodies helps to mitigate but does not eliminate the risk of counterparties failing to meet their financial obligations, and negative movements in the value of the Scheme's investments or income generated from those investments due to market factors.

### PERFORMANCE AGAINST STRATEGIC THEMES

#### Lowest healthcare costs

- ▶ The average contribution of a Scheme member was 14.6% lower<sup>1</sup> than the next nine largest open schemes, an exceptional achievement given the large increase in healthcare utilisation from July 2016.
- ▶ A turnaround of R700 million was achieved from the implementation of risk management strategies to address excessive utilisation.

#### Superior quality of care for members

- ▶ The Scheme continually monitors adherence to clinical policies and made good progress on integrating the stages of disease management.
- ▶ Since its publication on the website, the Patient Satisfaction Score (PaSS) has been viewed more than 36 500 times and the PaSS score has increased from 56% in 2013 to 60% in 2016 in response to the sharing of results with hospitals.
- ▶ The Scheme also obtains regular reports on quality indicators, metrics, standards and benchmarks, and participates in the Health Quality Assessment's annual assessment of quality in healthcare by medical schemes. The Scheme participated in the CMS' PMB Review process.

#### Personalised, predictive, preventative approach

- ▶ In line with the goal of making members healthier, the screening and prevention benefit for at risk members was improved and launched in 2017.
- ▶ Our members have voluntary access to a world-leading science-based wellness programme, Vitality<sup>2</sup>, and the launch of Vitality's Active Rewards saw increased member engagement, with 43% of members on the programme and 23% making use of Active Rewards.

#### Withstanding unpredictable market conditions

- ▶ The Scheme manages its investment portfolio in a diversified manner with the aim of optimising investment returns within its approved risk appetite.
- ▶ Despite the difficult market conditions, the Scheme managed an overall investment return of 8.79% for 2016 (2015: 6.01%).

## LINK TO MATERIAL MATTERS

### Scheme sustainability

Balancing reserves, contributions and benefits to ensure financial stability and contribution affordability for our members, in the context of increasing economic pressures and healthcare inflation.

### The South African healthcare system

Strengthening the Scheme's industry-leading and competitive positioning and working with Discovery Health and the industry to increase the focus on member wellbeing, reduce fragmentation and optimise reimbursement models and quality of care.

Read more about the Scheme's financial performance on **pages 66 – 71**.

Read more about Discovery Health's initiatives for the Scheme on **pages 74 – 81**.

Read more about the Scheme's investment results on **page 68**.

<sup>1</sup> Based on the rate for a principal member plus one adult beneficiary and one child beneficiary.

<sup>2</sup> Vitality is administered by Discovery Vitality (Pty) Ltd. Registration number 1999/007736/07, an authorised financial services provider.



## TOP RISKS AND MITIGATION

### Stakeholder engagement

Although the Scheme exists to serve its members, the quality of its relationships with all its other stakeholders enables it to create value for members and to remain sustainable. The Scheme manages its relationships with all its stakeholders actively, seeking to balance their needs and expectations by working collaboratively, in good faith and towards a common purpose. In all its interactions, the Scheme undertakes to uphold its values and the highest ethical standards. The Scheme constantly monitors perceptions of members and other stakeholders and any serious incidents are managed and monitored by the relevant Board Committee.

### Outsourcing risk

The Scheme conducts its operations through formal arm's-length administration and managed care outsourcing agreements with Discovery Health. The failure to execute on these outsourcing agreements would result in an inability to service members and providers. Discovery Health reports extensively to the Trustees, the Board Committees and the Scheme Office on a regular basis, which enables the Trustees to ensure that the strategic and operational requirements agreed on, and which are set out in extensive service level requirements, are met.

### Regulatory impact

The Scheme operates in a highly regulated environment requiring extensive controls to ensure ongoing compliance with its legislated obligations. Non-compliance with regulatory requirements would adversely affect the operations of the Scheme. Recommendations from the Competition Commission's Healthcare Market Inquiry, expected at the end of 2017, and several other regulatory developments increase the uncertainty of the Scheme's operating environment. The Scheme maintains constructive relationships with its regulators and the Trustees monitor compliance with existing legislation and regulation, and ensure adequate preparation for any changes, on an ongoing basis.

### Governance

Within a complex and highly regulated environment, the Trustees are responsible for ensuring the Scheme's sustainability and that optimised benefits are designed and delivered to members. Their fiduciary duties require effective governance structures tailored to the needs of the Scheme. Governance failures could impact the sustainability of the Scheme, and as such the Trustees ensure that governance excellence underpins everything the Scheme does.

## PERFORMANCE AGAINST STRATEGIC THEMES

### Member-centric servicing

► Discovery Health's focus on improving member perception, first call resolution, and service levels supported an average member perception score of 9.17 out of 10 (2015: 9.13). Discovery Health's ongoing incorporation of new technologies to enhance members' experience and track member concerns now includes voice biometrics, web chat and the Discovery member app.

### Best practice outsourcing

► An expert review of the Scheme's Vested outsourcing business model was conducted, with positive results. Recommendations for improvements were made, which the Scheme and Discovery Health started implementing immediately. Enhancements to the outsourcing model will continue to be implemented.

► The Scheme has developed a revised pragmatic, replicable methodology for measuring the value added by Discovery Health. The methodology showed that in 2015, for every R1.00 the Scheme spent on administration and managed care services, R1.85 of value was added by Discovery Health. This is an increase from the R1.73 of value added in 2014.

### Excellent governance and regulatory response

► Frequent interactions were held with the Scheme's regulators, particularly the CMS, which publishes regular circulars and other guidelines to the industry to which the Scheme submitted comprehensive responses as required. The Scheme continued to engage extensively with the Competition Commission's Health Market Inquiry, including making presentations at voluntary public hearings.

► In line with best practice governance, the Scheme follows the principles of King III and is moving to incorporate the newly released King IV into its governance policies, practices and disclosures. The Scheme also formally reviews the Vested outsourcing relationship with and value added by its Administrator and Managed Care Provider, and embraces the Treating Customers Fairly principles.

► In 2016, the Scheme outsourced Trustee elections process to an independent electoral body, PwC. 155 nominations were received and the candidates were vetted against fit and proper criteria. 111 candidates stood for elections at the Annual General Meeting and four were elected by members and did extensive induction training. Two new Trustees will be elected in 2017 and the Scheme will apply the same governance practices.

## LINK TO MATERIAL MATTERS

### Stakeholder needs

Empowering and engaging with members to ensure excellent service delivery and supporting healthcare providers to further develop a quality of care focus in South Africa, for the benefit of all our stakeholders and society as a whole.

### The Vested® outsourcing business model

Retaining, embedding and sustaining the model to ensure the best value for our members. Working with Discovery Health to incorporate the challenges and opportunities of disruptive change and technological developments, and supporting innovation in the best interest of our members.

### Navigating the complex regulatory landscape

Working effectively with the regulatory authorities to navigate the outcomes of National Health Insurance, the Competition Commission's Healthcare Market Inquiry, Prescribed Minimum Benefit reforms, and regulatory uncertainty.

Read more about the Scheme's stakeholder engagement approach and activities [pages 26 – 35](#).

Read more about Discovery Health's initiatives for the Scheme on [pages 74 – 81](#).

Read more about how we operate and Vested outsourcing on [pages 16 – 17](#).

Read more about how we are governed on [pages 39 – 59](#) and the regulatory and industry matters dealt with in 2016 on [pages 60 – 61](#).

# HOW WE OPERATE

The Act and the Scheme Rules allow the Trustees to appoint an accredited administrator and managed care provider on terms and conditions required for the execution of the Scheme’s operations.

Discovery Health Medical Scheme purchases its administration and managed care services from a single provider, Discovery Health (Pty) Ltd, as the Scheme believes that this integrated model (as opposed to a fragmented model, using multiple service providers) delivers optimal efficiency and value to members. Administration and managed care agreements ensure that clearly defined and measured outcomes are achieved, and that performance management principles through service level agreements (SLAs) are strictly adhered to and reported on.

These SLAs set out the expected level of performance across a wide range of key operational measures. Discovery Health reports to the Scheme on contractually agreed key performance indicators on a monthly, quarterly and annual basis.

The transactional and relational governance elements of the working relationship between the two organisations are governed by a Vested® outsourcing business model.

## Validating the value for money Discovery Health provides

Our members are better off when the Administrator and Managed Care Provider adds more value than the fees paid to it by the Scheme. A formal value-for-money assessment is done, which is an important tool used by the Scheme’s Trustees to evaluate Discovery Health’s performance.

In the past, the Scheme used a methodology developed by Deloitte to assess the value added. This methodology relied on publicly available information. Due to differences in the specification of the underlying data across the industry the method is no longer suitable. A revised pragmatic and replicable methodology for measuring the value added by Discovery Health has been applied for 2014 and 2015. The assessment takes account of value added from providing basic administration services, managing claims costs, making members healthier, attracting and retaining members and innovation.

The results are expressed as the value added by Discovery Health for each Rand paid to it: value added of greater than one means that Scheme beneficiaries receive more value than what has been paid on their behalf.



The results show that in 2015, for every R1.00 spent by DHMS on administration and managed care services, R1.85 of value was added by Discovery Health. This is a 6.9% increase from the R1.73 of value added in 2014.

The Scheme engaged Deloitte to review the reasonability of the data, methodology and results. Deloitte concluded that the methodology is appropriate and that they did not encounter any significant anomalies in the data and calculations reviewed. Deloitte are of the opinion that the increase in value added from 2014 to 2015 is reasonable.



## Our Vested® outsourcing business model

The outsourcing model used to optimise the relationship between Discovery Health Medical Scheme and Discovery Health is Vested outsourcing and aligns with global best outsourcing practice.

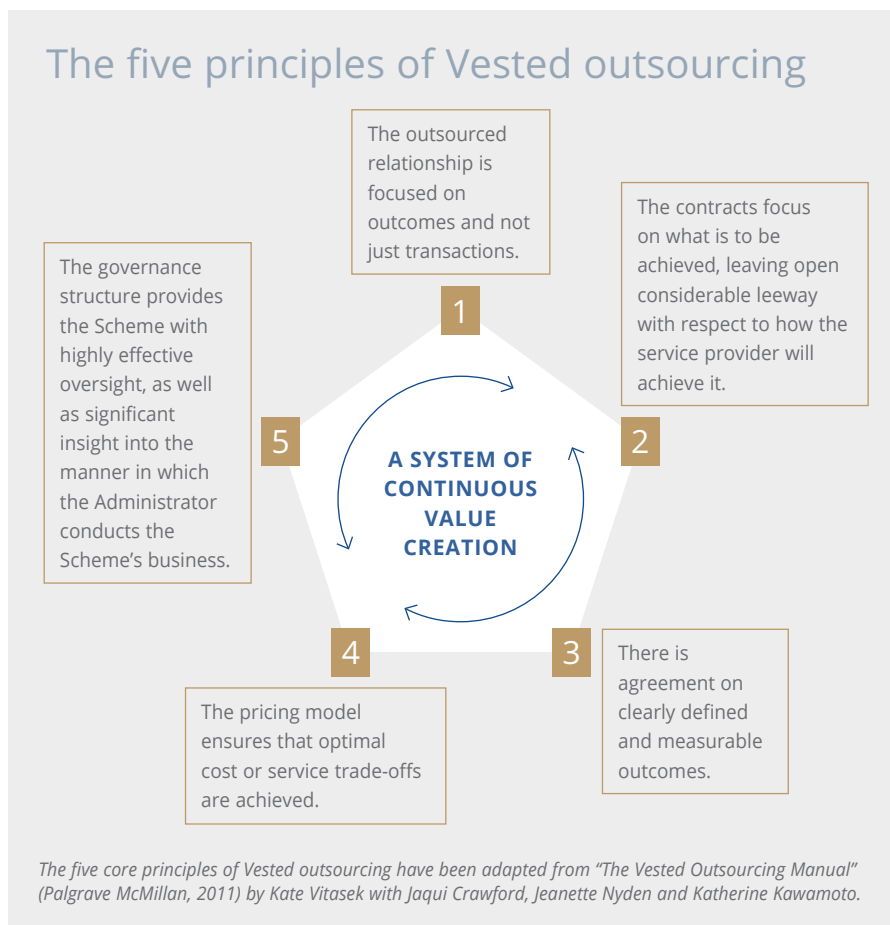
A Vested outsourcing agreement is characterised by a shared vision and aligned objectives, with organisations working to find the best solutions together. The agreement also balances risk and reward for both parties, leading to fairness, sustainability and the best outcomes. In effect, it frees both organisations to do what they do best by contracting for results and not activities – which allows for innovation, improved service and continuous value creation.

Vested outsourcing relationships depend on active collaboration, transparency, flexibility and trust, and commit both organisations to the success of each business. This strengthens the strategic alignment between organisations and encourages a value-driven relationship.

The Vested outsourcing business model recognises and embeds the Scheme's independence through robust governance arrangements, while allowing the Scheme to leverage Discovery Health's considerable knowledge, expertise, systems, innovation and value-added services in the best interests of the Scheme and its members. The Scheme engages in an operating relationship characterised more by insight rather than merely oversight, according to the five principles of Vested outsourcing.

An expert review of the Scheme's **Vested outsourcing business model** was conducted, with positive results. Recommendations for improvements were made, which the Scheme and Discovery Health started implementing immediately.

## The five principles of Vested outsourcing



## What this means for our members

The improved outcomes from the Vested outsourcing business model has seen the following tangible results based on the relationship between the Scheme and Discovery Health:

- ▶ An unmatched record of innovation.
- ▶ High levels of member satisfaction with service levels.
- ▶ More focused and sustainable clinical risk management solutions resulting in significant claims cost reduction.
- ▶ Improved stakeholder relations through a shared vision and aligned objectives.
- ▶ Continued membership growth from an already high base.
- ▶ Improved outsourcing governance translating into robust reporting and evaluation processes.

### THE CONTINUAL IMPROVEMENT JOURNEY

Optimising an outsourcing model is a journey. Both organisations have to adapt to working in new ways, and these changes need to be embedded at all levels, creating a sustainable system for continuous value creation. Enhancements to the Vested outsourcing business model will continue to be implemented.

# WHO LEADS US

## Our Trustees

The Board of Trustees (the Board) comprises high-calibre professionals with diverse skills, experience, background and gender. This brings multiple perspectives to bear in discussion and debate, ensuring robust oversight and strategic decision-making.


The Trustees dedicate a significant amount of time and effort to their fiduciary duties, well beyond meeting attendance requirements.


The Trustees focus their attention on overseeing the Scheme's material matters, in discharging their duties and in ensuring the Scheme's sustainability, which forms the basis for any Board decisions. The Trustees are accountable to the Scheme's members. Their duties include:

- Overseeing and directing the management of the Scheme's outsourced activities performed by the Administrator and Managed Care Provider.
- Applying sound business principles to ensure the financial soundness of the Scheme.
- Ensuring that proper control systems are employed by and on behalf of the Scheme.
- Ensuring that the Scheme Rules and Scheme operation and administration comply with the provisions of the Act, and all other applicable laws.
- Ensuring that adequate and appropriate information is communicated to members regarding their rights, benefits, contributions and responsibilities in terms of the Scheme Rules.
- Overseeing the implementation of strategy.

Trustees may be elected or appointed. At least half of the Trustees are elected by Scheme members, and the Board may appoint additional Board Committee members to fill any knowledge, experience and skills gaps.

Trustees and Committee members are remunerated for their service according to the Scheme's Remuneration Policy.

 Read more about the Scheme's governance structure and framework on [page 39](#).

 Read more about the remuneration of Trustees and Committee members on [pages 54 – 59](#), and refer to Note 15 of the Annual Financial Statements on [page 109](#) for more information.



**MR MICHAEL VAN DER NEST SC**

**BA LLB**

**CHAIRPERSON**

Mr van der Nest, SC has been in private practice for 30 years and was appointed Senior Counsel in 2000. He has been an Acting Judge of the High Court of South Africa on various occasions, and has arbitrated various commercial disputes. His practice is of a specialised commercial nature in merger and competition cases, accounting and valuation, mining, contractual disputes, insurance, aviation and construction disputes, financial instruments, banking and regulatory matters.

Mr van der Nest was appointed as a Trustee in 2011 and 2014, and has served as Chairperson of the Board for both periods. He also serves on the Remuneration and Stakeholder Relations Committees.

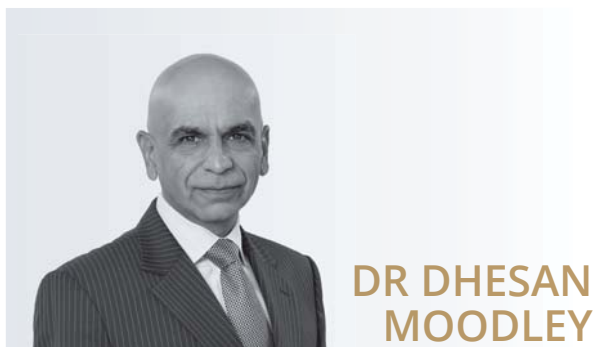


**MR DAVE KING**

**MBA; BSc (Hons); Health Risk Management & Managed Care Certificate**

Mr King is a seasoned business executive with over 20 years' multinational experience. He spent 12 years as Human Resources Director of Brandhouse Beverages and was instrumental in that entity becoming a formidable competitor in the South African drinks industry. Previously, he chaired the Board of Trustees of Oxygen Medical Scheme. He is an expert in executive leadership and employee engagement.

Mr King was elected as a Trustee in 2016 and currently serves on the Remuneration, Non-healthcare Expenses and Stakeholder Relations Committees. He previously served on the Audit, Risk and Stakeholder Relations Committees as an independent member.



**DR DHESAN  
MOODLEY**

**Masters in Metabolic, Functional and Anti-aging Medicine;  
MMed Sports Science; MBChB; MBA; EDP Economics**

Dr Moodley is currently in private practice in Functional and Anti-aging Medicine. He is also the Chairman of Pinpoint Solutions, a healthcare organisation. In the past he was President of Alexander Proudfoot, CEO of Bluepeter Consulting, Partner of Ethos Private Equity Technology Fund, Partner at Accenture and Principal at Gemini Consulting. He has deep expertise in health insurance and healthcare. His past and present affiliations include the Young Presidents' Organisation; World Presidents' Organisation; American Academy of Anti-aging Medicine; South African Medical Association; Black Management Forum of South Africa and American Chamber of Commerce.

Dr Moodley served the Scheme as Chairperson and a member of the Board of Trustees between 2001 and 2011. In 2016, he was again elected as a Trustee and currently serves on the Clinical Governance, Investment, Product and Stakeholder Relations Committees.



**MS DAISY  
NAIDOO**

**CA(SA); Masters of Accounting (Taxation);  
BCom (Postgraduate Diploma in Accounting)**

Ms Naidoo is a Chartered Accountant. She is a professional independent non-executive director and currently serves on a number of listed and non-listed company boards, investment and credit committees. She has extensive knowledge in finance, accounting, banking, investment, risk and general business. She was previously a dealmaker for almost a decade at Sanlam Capital Markets where she headed the Debt Structuring Unit. Prior to that she was a tax consultant at Deloitte, consulting mostly to financial services companies, and before that she was a financial planner at South African Breweries.

Ms Naidoo was elected as a Trustee in 2016 for a second term. She serves on the Audit, Risk, Investment, Product and Non-healthcare Expenses Committees.



**MR NEIL  
MORRISON**

**MA (Economics); BSc (Hons) Physics**

Mr Morrison's recent work was as an external consultant to McKinsey and Company in Johannesburg, for the past four years. Previously, he was Special Advisor to the Minister of Public Enterprises and until 2004, CEO of Deutsche Bank, Johannesburg Branch and head of the Global Markets division.

Prior to that he was Head of Public Sector Finance at Rand Merchant Bank. Before 1994, he worked for the ANC and various associated organisations for 10 years with his last position being Head of Money and Finance policy. He was a member of the constitutional negotiations team.

Mr Morrison was elected as a Trustee in 2016 and currently serves on the Audit, Risk, Investment and Non-healthcare Expenses Committees.



**MR GILES  
WAUGH**

**MA; FIA (Fellow of the Institute of Actuaries UK);  
FASSA (Fellow of the Actuarial Society of South Africa)**

Mr Waugh has worked as an actuarial consultant for the past 30 years in South Africa and the UK, and now operates as an independent actuary involved in life and short-term insurance.

Mr Waugh was appointed as a Trustee in 2011 and 2014. He serves on the Audit and Risk Committees, chairs the Product Committee and also chairs the Non-healthcare Expenses Committee.

Who leads us *continued*

*Independent co-opted member of the Board*



**MR JOHAN HUMAN**

**B.Bus.Sc; FIA (Fellow of the Institute of Actuaries UK); FASSA (Fellow of the Actuarial Society of South Africa)**

Mr Human has more than 20 years' experience in actuarial and healthcare consulting to large corporate organisations and medical schemes. He is currently a Director and Co-founder of the Alluvia Group (Pty) Ltd, with interests in private equity, infrastructure fund management and structured finance.

Mr Human was appointed as an independent co-opted member to the Board on 5 September 2016, and serves on the Non-healthcare Expenses Committee.

*Trustees who retired during 2016*



**MR PUKE MASERUMULE**

**BA LLB; Postgraduate Diploma in Labour Law**

Mr Maserumule has been an admitted attorney for 27 years, 25 of which he has spent in private practice. He specialises in all aspects of employment law and general litigation, and has acted as a Labour Court and High Court Judge. He is also an accredited Tokiso mediator, facilitator and arbitrator.

Mr Maserumule was elected as a Trustee in 2010 and 2013. He chaired the Investment Committee and served on the Stakeholder Relations Committee until his term ended on 23 June 2016.



**PROF ZEPHNE VAN DER SPUY**

**MBChB; MRCOG; PhD; FRCOG 1991; FCOG (SA)**

Professor van der Spuy is Emeritus Professor/Senior Scholar in the Department of Obstetrics and Gynaecology at the University of Cape Town. She received the Distinguished Teachers Award in 2010. An obstetrician gynaecologist by training, Professor van der Spuy has a particular interest in women's health and reproductive medicine. She is an Honorary Fellow of the Academy of Medicine, Singapore; the Ghana College of Surgeons; the Academy of Medicine, Malaysia; the Royal Australasian College of Physicians; the Royal College of Physicians of Ireland; and most recently The Colleges of Medicine of South Africa. She is a National Research Foundation rated scientist with 65 publications in peer reviewed journals and 40 invited articles and chapters in books.

Prof van der Spuy was elected as a Trustee in 2010 and 2013. After her term ended on 23 June 2016, she was appointed by the Board as an independent member of the Clinical Governance Committee.



**MR NOEL GRAVES SC**

**BA LLB**

Mr Graves, SC had a BA LLB degree conferred on him by the University of Cape Town in 1985, after which he practiced law as an attorney at Bowman Gilfillan, and subsequently as a partner at the Sampson, Okes, Higgins law practice. He was admitted as an advocate in 1993 and was appointed Senior Counsel in 2009. He is a member of Advocates Group 621, the oldest group of advocates at the Johannesburg Bar.

Mr Graves was elected as a Trustee in 2010 and 2013. He chaired the Non-healthcare Expenses Committee and served on the Product, Remuneration and Investment Committees until the end of his term on 23 June 2016.





## Our executive management team: leading us into 2017

The Board appoints a Principal Officer, in accordance with the Act and Scheme Rules. The Principal Officer is the chief executive officer of the Scheme and is accountable to the Board for the day-to-day management of the Scheme and the implementation of its strategy.

The Principal Officer, supported by an executive management team, is key to the effective operation of the Scheme. The Principal Officer and the management team collaborate closely with the Scheme's Administrator and Managed Care Provider, Discovery Health, in the implementation of strategy and daily operations. The management team's expertise includes medical, actuarial, risk management, business management, financial management, investment, legal, compliance and research capabilities.

The Board and the Remuneration Committee direct and oversee remuneration for the Scheme Office, which is based on best practice, carefully structured and independently benchmarked according to the experience and skills required. This is aimed at attracting and retaining high-calibre staff.

Not shown

### MR MILTON STREAK

**Executive Principal Officer**  
(appointed by the Board in 2009)  
B.Pharm, Master of Management (MM) (Entrepreneurship and New Venture Creation)

*Mr Streak was the Principal Officer during 2016, and resigned with effect from 31 December 2016.*

*Read more about the search for and appointment of our new Principal Officer in Our Chairperson's statement on page 39.*

### MR HOWARD SNOYMAN

**Head: Legal and Regulatory Affairs**

LLB; MSc Med (Bioethics and Health Law); Dip Sports Management; Adv Dip Sports Management; Certified Vested Deal Architect (in progress)

### DR NOZIPHO SANGWENI

**Chief Medical Officer during 2016; appointed Principal Officer with effect from 1 January 2017**

MBChB; MBA; Postgraduate Diploma in Occupational Health; Postgraduate Diploma in Civil Aviation Management

### MS MICHELLE CULVERWELL

**Head: Special Projects and Stakeholder Relations**

MBA in Executive Management; BA (Hons)

### MS YASHMITA MISTRY

**Head: Governance and Compliance**

LLB

### MR JAN VAN STADEN

**Chief Financial Officer**

CFA; CA(SA); B Accounting (Hons);

### MR SELWYN KAHLBERG

**Chief Risk and Operations Officer**

CFA; FASSA; FIA; BSc (Hons)





# OUR COMMITTEE MEMBERS

**MS DAISY NAIDOO** ▲ ■ \* ≡ ▼

CA(SA); Masters of Accounting (Taxation); BCom (Postgraduate Diploma in Accounting)

Deep knowledge of finance, accounting, banking, investment, risk and general business; specific experience as a dealmaker, tax consultant and financial planner for corporate companies.

**MR MILTON STREAK** ■ ≡ ▼ ●

See note below.<sup>1</sup>

**MR MICHAEL VAN DER NEST SC** ○ ●

BA LLB

In private practice specialising in the resolution and arbitration of a range of commercial disputes, including in the insurance industry.

**MR BARRY STOTT** ▲ ■ \*

CA(SA)

Deep understanding of the financial services industry; member of audit panels, risk and investment committees and independent non-executive director at financial services institutions.

**MR NEIL MORRISON** ▲ ■ \* ≡

MA (Economics); BSc (Hons) Physics

Extensive leadership experience in banking and financial markets; has held high-profile public policy advisory and management consulting roles.

**MR JOHN BUTLER SC** ●

MA (Jurisprudence); BA LLB; BCom

Specialist in all aspects of commercial litigation, including competition law, and an arbitrator in commercial disputes; has served as an Acting Judge of the High Court.

**MR DAVID KING** ▲ ■ ○ ≡ ●

MBA; BSc (Hons); Health Risk Management & Managed Care Certificate

Extensive multinational experience; expert in employee engagement and executive leadership, as a Human Resources Director for over a decade.

**DR DHESAN MOODLEY** □ \* ▼ ●

Masters in Metabolic, Functional and Anti-aging Medicine; MMed Sports Science; MBChB; MBA; EDP Economics

Extensive experience in healthcare and health insurance gained in private medical practice; extensive experience in management consulting at the helm of various respected firms.

**MR DON ERIKSSON** ○

CA(SA)

More than 40 years' experience in business leadership, as an executive and non-executive director; chairperson of various insurance companies, non-executive director and committee chairperson for a number of bluechip companies.

**MR GILES WAUGH** ▲ ■ ≡ ▼

MA; FIA; FASSA

More than 30 years' experience as an actuarial consultant in South Africa and the UK; works as an independent actuary in life and short-term insurance.

**MR IMTIAZ AHMED** \*

CA(SA)

Deep understanding of financial markets with more than 30 years' experience as a portfolio manager and director at various reputable investment houses; member of various investment committees with a combined asset value in excess of R30 billion.

**MR JOHAN HUMAN** ≡ ▼

B.Bus.Sc; FIA; FASSA

More than 20 years' experience in actuarial and healthcare consulting to large corporates and medical schemes; works in private equity, infrastructure fund management and structured finance.

- ▲ Audit
- Risk
- Clinical Governance
- ▼ Product
- \* Investment
- ◆ Nomination
- Stakeholder Relations
- ≡ Non-healthcare Expenses
- Remuneration

<sup>1</sup> Milton Streak sat on the Product, Risk, Non-healthcare Expenses and Stakeholder Relations Committees. Scheme executive management also sits on the Risk Committee. More information on the Committees is available on pages 42 – 53.

22 Discovery Health Medical Scheme registration no 1125

About DHMS 23

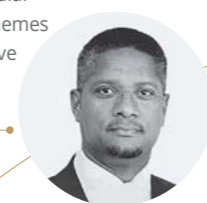


Our Committee members *continued*

**MR PETER GOSS** ◆

**MA: Criminal Justice; P/G BTech: Forensic Investigation; National Diploma: Police Administration; Diploma: Criminal Justice & Forensic Investigations; Certificate Programme: Corporate Governance. Accreditations: Commercial Forensic Practitioner (ICFP); Certified Forensic Investigation Professional (CFIP)**

Deep expertise in business advisory with a specific focus on governance, risk and strategy, in particular fraud risk management, including for medical schemes and the public sector; holds various non-executive directorships for bluechip companies.



**MR NOEL GRAVES SC** \* ≡ ▼ ○

**BA LLB**

Over 25 years' experience as an attorney, advocate and Senior Counsel.



**TOM WIXLEY** ◆

**CA(SA); BCom**

More than 40 years' experience in accounting and auditing, and director of numerous public companies; published author and expert in corporate governance.



**MR STEVEN GREEN** ▲ ■

**BSc (Hons) Information Systems; BSc Computer Science**

Deep expertise in IT architecture design and implementation, and IT risk assessment and management particularly in relation to outsourcing; gained experience in a wide range of technology-related areas, including data analytics, working in South Africa, the USA, and the UK.



**MRS SUSAN LUDOLPH** ▲ ■

**CA(SA)**

Technical expert in IFRS and financial and integrated reporting, including standard-setting for accounting in South Africa; established and implemented the strategy and work plan of South Africa's first top 100 CFO Forum to guide, influence and lead on issues affecting CFOs and business.



**MRS PHILILE MAPHUMULO** ▲ ■

**CA(SA); M.Com Finance; BCom (Hons)**

More than 10 years' experience in investment banking; served as a non-executive director on various company boards.



**MR ROY SHOUGH** ◆

**CA(SA); HDipBDP; Certified Information Systems Auditor (CISA), (Lapsed) through Information Systems Audit + Controls Association; ISACA Certified Internal Auditor (CIA); IIA**

Acknowledged as a leading expert in corporate governance, particularly in relation to the relevant processes and the role, responsibilities and effectiveness of boards, directors and committees, and senior executives in governance and risk management.



**PROF MIKE SATHEKGE** □

**PhD; MBChB; MMed**

Specialist physician and expert in the design and implementation of innovative point-of-care diagnostics and therapies in nuclear medicine; has received local and international recognition for his outstanding achievements in the public and private medical sectors.



**PROF SELMA SMITH** □

**MBChB; M Prax Med; FCFP(SA)**

Specialist physician and expert in family medicine and primary care in the public sector; has held directorships on the governing bodies of various industry and educational institutions focused on improving outcomes in family medicine in South Africa.



**PROF ZEPHNE VAN DER SPUY** □ ▼

**MBChB; MRCOG; PhD; FRCOG; FCOG (SA)**

Specialist physician and expert in women's health and reproductive medicine; National Research Foundation rated scientist with an extensive body of published research in her field.



**MR PUKE MASERUMULE** \* ●

**BA LLB; Postgraduate Diploma in Labour Law**

Specialises in all aspects of employment law and general litigation, and accredited mediator, facilitator and arbitrator; has acted as a Labour Court and High Court Judge.



- ▲ Audit
- Risk
- Clinical Governance
- ▼ Product
- \* Investment
- ◆ Nomination
- Stakeholder Relations
- ≡ Non-healthcare Expenses
- Remuneration

# HOW WE ADD VALUE TO OUR KEY STAKEHOLDERS

## OUR PURPOSE

**is to care for our members' health and wellness**

by engaging the brightest minds and innovative solutions to provide access to affordable, equitable and quality healthcare that meets their needs now and into the future.

The quality of the Scheme's relationships with its stakeholders supports its ability to fulfil its purpose. Creating lasting value for our members requires, necessarily, that the Scheme is sustainable in the long term, which means also creating value for the healthcare ecosystem of which it is a part. Balancing the needs and expectations of all stakeholders within this ecosystem, and thereby for society as a whole, is a constant challenge that we embrace wholeheartedly.

## OUR VISION

**is to be the best medical Scheme in the country.**

In the interests of our members we will always pursue excellence, leveraging the Vested® outsourcing business model to lead healthcare innovation and create value.

We will work closely with our regulators, our administrator and the industry to shape an inclusive and complete healthcare system in South Africa.

We envision a future in which South Africa has an integrated and cohesive healthcare system. To this end, the Scheme's approach is to engage with stakeholders on the understanding that, although needs may differ, working collaboratively, in good faith and towards a common purpose is the only way to harmonise these needs over time. In all its interactions, the Scheme undertakes to uphold its values: integrity; mutual respect; adaptability and agility; support and care; resilience; the pursuit of excellence; and social responsibility.

Importantly, Discovery Health which provides administration and managed care services for our members is completely aligned to our purpose, vision and values. Discovery Health is part of the Discovery Group, and has a core purpose to make people healthier and enhance and protect their lives.

The Discovery Group is a shared value insurance company whose purpose and ambition are achieved through a pioneering business model that incentivises people to be healthier, and enhances and protects their lives. Their shared value insurance model delivers better health and value for clients, superior actuarial dynamics for the insurer, and a healthier society.



Read more about Discovery at [https://www.discovery.co.za/discovery\\_coza/web/linked\\_content/pdfs/investor\\_relations/discovery\\_sustainable\\_development\\_report\\_2016.pdf](https://www.discovery.co.za/discovery_coza/web/linked_content/pdfs/investor_relations/discovery_sustainable_development_report_2016.pdf).



## Our approach to stakeholder relations

The Stakeholder Relations Committee oversees all stakeholder engagement activities and reports to the Trustees on all matters within its mandate. The Committee receives regular reports from the Administrator and Managed Care Provider on stakeholder engagement and perceptions, supplemented by presentations and discussions on significant matters of concern to the Scheme. The Committee uses a defined risk assessment framework and methodology to understand the Scheme's stakeholders, which entails identifying stakeholder groups and assessing their needs. The Committee ensures that appropriate management and engagement plans are in place and monitors their effectiveness, with close attention given to any specific incidents and their resolution.

Discovery Health conducts certain of the Scheme's stakeholder engagement work, in accordance with the Vested outsourcing business model. For example, Discovery Health responds to our members' queries via call centres and through e-mail; engages with doctors through multiple communication channels to demonstrate new tools and initiatives; provides training and support to financial advisers on the Scheme's products; and develops healthcare provider networks to keep costs down for our members and the Scheme.

### APPLYING THE KING IV PRINCIPLES FOR SOCIAL AND ETHICAL GOVERNANCE

The Scheme is currently investigating the incorporation of the principles espoused by the King IV Report on Corporate Governance for South Africa 2016 (King IV), which recommends the oversight of and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships by means of a mandated Committee. The Stakeholder Relations Committee is co-ordinating and driving this process on behalf of the Board.



Read more about the Stakeholder Relations Committee on **pages 52 – 53**.

How we add value to our key stakeholders *continued*

## Our approach to ethics

The Scheme operates to the highest ethical standards, specifically those relevant to a medical scheme, and as an employer. The Scheme's policies specify the standards of ethical behaviour expected of its Trustees and employees in such areas as compliance with the law, human rights, employee rights, the protection of personal information and business practices (including anti-competitive behaviour).

These standards of behaviour are aligned with the ethical values and moral duties of King III, and the expectations of the CMS, set out below.

### MORAL DUTIES:

- Conscience
- Stakeholder inclusivity
- Competence
- Commitment
- Courage

### ETHICAL VALUES FOR GOVERNANCE, MANAGEMENT AND OPERATIONS:

- Discipline
- Transparency
- Independence
- Accountability
- Fairness
- Responsibility



The Scheme encourages the reporting of fraudulent or unethical behaviour. The Information Toolkit explains how on [page 155](#).

## EMBRACING THE FAIR TREATMENT OF CUSTOMERS

The TCF (Treating Customers Fairly) Framework has its foundation in sound business principles and good governance. The Scheme embraces the TCF principles and recognises their relevance to the service that Discovery Health provides to our members. As a registered Financial Service Provider in terms of the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS), Discovery Health has implemented the TCF framework.

### The outcomes of TCF are envisaged to be:

- Customers can be confident they are dealing with firms where TCF is central to the corporate culture.
- Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.
- Customers are provided with clear information and kept appropriately informed before, during and after point of sale.
- Where advice is given, it is suitable and takes account of customer circumstances.
- Products perform as firms have led customers to expect, and service is of an acceptable standard and as they have been led to expect.
- Customers do not face unreasonable post-sale barriers imposed by firms to change product, switch providers, submit a claim or make a complaint.



## Engaging with our members

Our purpose recognises that the Scheme exists for its members. They entrust their healthcare funding needs to the Scheme, which aims to ensure the long-term affordability of contributions so that our members can continue to access private healthcare of the highest standard. Building and maintaining strong relationships with all our other stakeholders supports our ability to achieve these objectives.

The Scheme, through Discovery Health, is deeply engaged in many quality of care initiatives and ongoing monitoring to ensure that our members have access to the safest, most efficient healthcare available in South Africa. The Scheme also empowers our members with information that is relevant to their needs.

Discovery Health's infrastructure and member support systems provide a range of engagement options for our members: they can make contact through a call centre, via the website ([www.discovery.co.za](http://www.discovery.co.za)), through the Discovery Member App on their smart phones and tablets, or by visiting five walk-in centres around the country. These member support systems are designed to provide members easy access to accurate information about their benefits, claims and other plan information. Various customer satisfaction and operational metrics are monitored on an ongoing basis to assess whether our members' service expectations are being met.

The Scheme ensures that all our members are continuously informed of changes in benefits and contributions, formularies and the Rules governing their health plans. This enables them to make informed decisions about the plan type best suited to their healthcare and affordability needs, even as these needs change.



Do you want to submit a complaint or compliment, or lodge a dispute? The Information Toolkit explains how on [page 155](#).

## ENSURING OUR MEMBERS STAY SATISFIED

Discovery Health constantly monitors members' perceptions of the service they receive. Feedback is obtained at walk-in centres, member lounges, after-claims processes and when members make use of the call centre. For 2016, the average perception score across all these areas was 9.17 out of 10.

2016 member perception score

9.17/10





## Engaging with our members *continued*

### PROVIDING QUALITY NURSING CARE TO OUR MEMBERS IN THE COMFORT OF THEIR OWN HOMES

Discovery HomeCare<sup>1</sup> is a unique home-based healthcare service, which offers our members high-quality nursing and care worker support. Home care has been shown to improve the healthcare experience and outcomes when a hospital stay is not necessary. Discovery HomeCare provides support and convenience for patients with specific conditions, and saves on hospitalisation costs.

Launched in 2015 as an alternative to hospitalisation for eligible patients, the service was developed to prevent hospital admissions, reduce the length of hospital stays and to potentially avoid readmissions – thereby adding huge value to the member, treating doctor and the Scheme. Highly qualified ICU-trained nurses care for patients in the comfort of their own homes, reducing exposure to hospital-acquired infections, allowing patients to recover more quickly, improving appropriate hospital bed allocation and alleviating the burden of travelling to and from hospital for families.

The programme currently focuses on four main therapeutic areas:

- **Intravenous infusions:** antibiotics, steroids, enzymes, iron, immunoglobulins and fluid replacement.
- **Wound care:** moderate to severe wounds not requiring hospitalisation.
- **Postnatal care:** three visits by a qualified midwife for both mother and baby if safely discharged one day early.
- **End-of-Life care:** working together with the relevant hospices and Advanced Illness Benefit teams.

HomeCare is available in all large cities and towns throughout South Africa, and in more remote areas on a case-by-case basis. The programme has grown strongly over the last year with approximately 400 visits per month in 2016, and has realised significant savings for the Scheme of R3.3 million from intravenous infusions alone.

The service has been well received by our members, with nursing care consistently highly rated at around 9.57 out of 10 by patients. An example of patient feedback:

*"I just wanted to thank you and give you some feedback on my experiences with the HomeCare nurses over the last week. They are nothing short of absolutely brilliant! During the five days I was tended by Sisters Thandi, Florence, Lebo and Anna, they were always on time, absolutely professional, caring and absolutely fantastic ambassadors for Discovery. We spent many hours chatting while I was taking in IV and they are absolutely passionate about what they do. I cannot thank you enough for arranging this. This is so infinitely better than staying in a hospital bed it defies comparison."*

Several new initiatives are planned for HomeCare in 2017. An Aged Care pilot will be run in certain retirement homes in Gauteng, providing quality care for residents either in their units or care centres, reducing the need for hospital admissions or allowing for earlier discharge to a safe environment for optimal recovery and care.

### IMPROVING THE QUALITY OF LIFE OF OUR MEMBERS WITH ADVANCED CANCER, AND THEIR FAMILIES

Over 60% of our members die in a high care or an intensive care unit, in line with the international norm. But research shows that more than 80% of people worldwide wish to die at home.

The Scheme offers its members the Advanced Illness Benefit (AIB), which gives members with advanced stages of cancer access to a comprehensive palliative care programme, which includes Discovery HomeCare. With unlimited benefits, access to home-based care and a care coordinator, the service has had a significant impact on patients and their families by reducing the psychosocial, logistical and funding challenges.

#### The AIB provides:

- Cover for the involved palliative care doctor, palliative care nurses, social worker, and other associated services in partnership with the Hospice Palliative Care Association of South Africa.
- Access to and funding for home-based care services such as oxygen and pain management.
- A dedicated Discovery Health care coordinator who supports the patient and family throughout, and ensures holistic palliative care and seamless logistics.
- Access for both the patient and their family to counselling support.

<sup>1</sup> Discovery HomeCare is operated by Discovery Health (Pty) Ltd, registration number 1997/013480/07, an authorised financial services provider.

#### Examples of feedback to Discovery Health about the service from Scheme members and their families:

*Thank you, I'm very impressed with this benefit from Discovery. It's great to know this support is available at this difficult time.*

*Thank you, your company has tremendous empathy and is really appreciated.*

*Just to say thank you very much for all your help regarding my mom's sickness. Without the assistance of Discovery and Hospice we could have not managed on our own. Mom passed away very peacefully on Monday. I am lost for words at this moment. Love you all although I never met you.*

*Thank you so much for your contact. I feel so much calmer now that I know there is someone to contact and help is available.*

*You have no idea how much peace of mind you gave my sister the day you called. It has been a roller coaster of a time since my dearest brother-in-law passed away on the 7th.... In the meantime, a big thank you for facilitating everything so compassionately.*

*Thank you so much for the information, booklets etc. but, most of all, thank you for your absolute professionalism when you contacted me. This is a scary time and things seem to be moving so fast so your efficiency and calmness was so welcome to me.*

Discovery Health is working to extend this benefit to members other than cancer patients requiring palliative care. It is also working with the Hospice Palliative Care Association to increase awareness of the importance of advance care planning and to assist with training healthcare professionals to have this conversation with their patients.

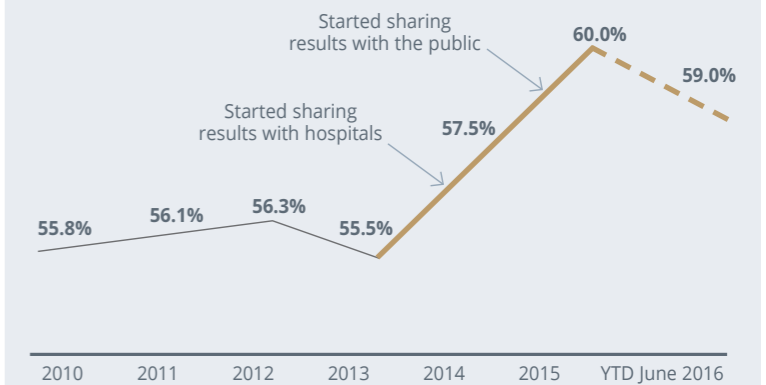
To find out more about Discovery Health's initiatives for the Scheme, see **pages 74 – 81**.

### EMPOWERING OUR MEMBERS WITH RELEVANT INFORMATION

In 2015, Discovery Health embarked on an initiative to inform Scheme members of the quality of care and patient experience provided by private hospitals, rated by members themselves. Since its publication on the Discovery website, the Patient Satisfaction Score (PaSS) has been viewed more than 36 500 times and the PaSS score has increased from 56% in 2013 to 60% in 2016 in response to the sharing of results with hospitals.

#### Continuous investment in the quality of care

##### Patient Satisfaction Score: national average



Discovery Health intends to extend these measures of hospital experience to include specific clinical outcomes such as mortality and infection rates.

Logged in members can access PaSS at [www.discovery.co.za/portal/individual/hospital-scorecard](http://www.discovery.co.za/portal/individual/hospital-scorecard).





How we add value to our key stakeholders *continued*

## Engaging with healthcare providers and professional societies

The Scheme is committed to working in collaboration with and supporting healthcare providers in the pursuit of quality, cost-effective healthcare for their patients – our members.

We believe that healthcare providers (which include doctors and specialists, nurses, pharmacists and paramedics, as well as private hospital groups and specialist practices), form an integral part of South Africa's healthcare ecosystem and are a national asset.

Healthcare professionals work in a challenging environment of rapidly increasing costs, and are often placed in a position of conflict between their patients, for whom they wish to provide the best possible care, and medical schemes, who must balance the needs of all scheme beneficiaries with those of individual members, while ensuring sustainability over the long term.

Healthcare inflation was a specific challenge for the entire sector during 2016. DHMS and Discovery Health worked closely with healthcare providers to implement targeted initiatives to address the inflation concerns, while at the same time continuing to provide access to quality care via Scheme networks and reimbursement arrangements implemented over the last few years.

Most general practitioners and specialists in private practice participate in the Scheme's network and reimbursement arrangements, playing a crucial role in ensuring the sustainability of private healthcare delivery.

The Scheme has also led the industry in the implementation of innovative alternative reimbursement models with the major hospital groups. These, together with effective risk management by Discovery Health, have allowed the Scheme to achieve a substantial cost advantage over competitor schemes in relation to hospital costs, a key component of the Scheme's claims expenditure. The Scheme also has contracts with all major pathology groups and radiology practices, as well as most other healthcare professionals. These arrangements provide members with certainty of cover and a wide range of options to avoid co-payments, while also allowing the Scheme to comply with Prescribed Minimum Benefit legislation in terms of the Act.

The Scheme and Discovery Health engage actively and continuously with the representatives of healthcare professionals through their respective professional societies, to understand how best to support them in meeting quality of care challenges. Regular meetings, workshops and thought leadership summits are held where pertinent issues affecting healthcare delivery in South Africa and other industry issues are examined. Continuous engagement with the pharmaceutical industry aims to secure the best possible prices of medicines for members, thereby protecting the pool of funds from which members' claims are paid.

**In 2016 the following engagement activities were conducted:**

- Workgroups with various healthcare providers and professional societies to address a variety of topics, including provider challenges, new technology and claims coding services continued with good progress made in all areas. The focus remained on enhancing quality care affordably and sustainably.
- Doctor launch events were held in all major centres to explain underlying industry trends and present the Scheme's funding strategy for 2017.
- Ongoing engagement with societies and representative bodies in the industry.
- Articles were published in medical journals and the press to showcase improving quality of care initiatives and collaboration with doctors.

Major strides were made in moving away from traditional fee-for-service reimbursement to value-based, alternative reimbursement models and initiatives that focus on quality of care. These included the launch of the Premier Plus initiative with family doctors to address major non-communicable diseases; projects with general and spinal surgeons; and new and ongoing initiatives with numerous other disciplines.

As part of the Scheme and Discovery Health's continued focus on improved quality of care and healthier members, we will look to expand our value-based contracts to lower overall healthcare costs and remunerate healthcare providers to achieve better clinical outcomes.

CASE STUDY

## PARTNERING WITH RENAL SPECIALISTS TO MEASURE AND IMPROVE OUTCOMES IN KIDNEYCARE

More than 5 million South Africans live with chronic kidney disease and over 4 000 of our members suffer from it.

In response to this growing pandemic, Discovery Health established the KidneyCare programme in 2008 to:

- Ensure coordinated participation by patients, doctors and dialysis care providers in improving the quality of dialysis care.
- Measure and report on the comprehensive management of the patient in order to improve care programmes.
- Improve the quality of life for patients on chronic dialysis and reduce additional costs incurred, caused by repeat hospital admissions and avoidable complications in care.
- Provide educational material to affected Scheme members.

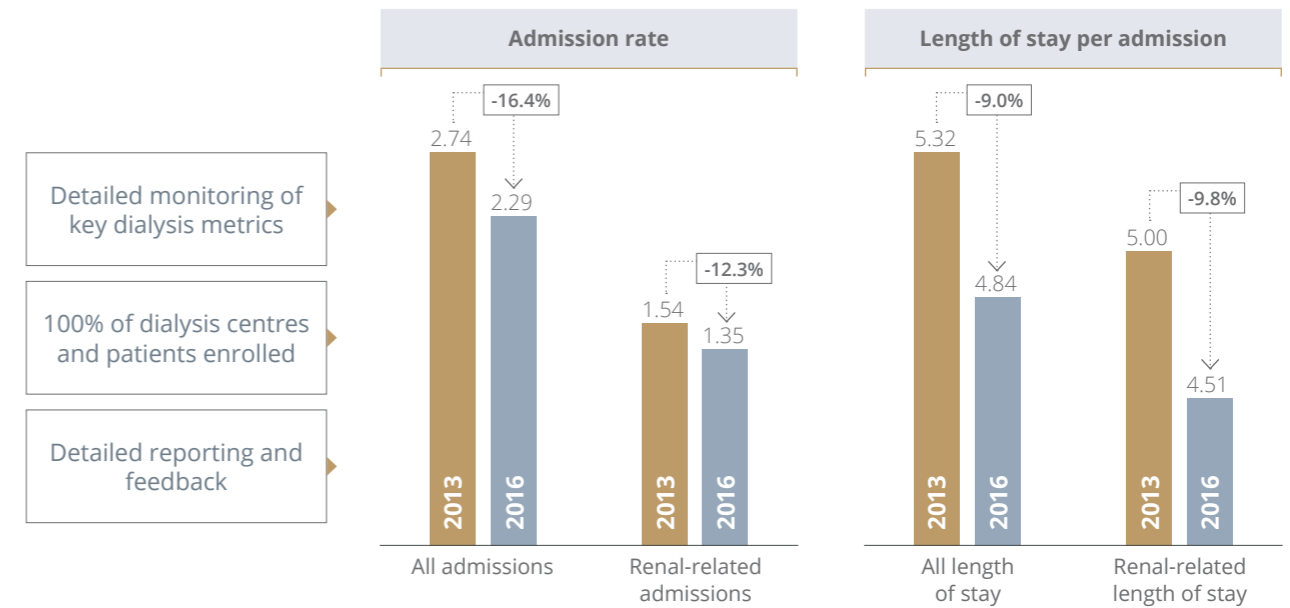
Clinical and pathology data is collected on all Scheme members undergoing chronic dialysis. Reporting includes a comprehensive member report as well as three-monthly reports to the treating

specialists and the providers of chronic dialysis. These reports highlight specific opportunities for targeted interventions to improve the provision of care, clinical outcomes and avoidable complications.

There are currently 1 968 members, 138 specialists, seven dialysis providers and 173 chronic dialysis units on the programme, and we receive comprehensive clinical results for 1 581 members.

The outcomes of this programme have been very positive. Targeted interventions by the KidneyCare programme have resulted in clinical outcome measures improving by 2.4% from 2013 to 2016. DHMS patients enrolled on the programme have a 2.44% lower mortality rate than non-enrolled chronic dialysis members. In addition, there has been a significant reduction in the hospital admission rate and length of stay between 2013 and 2016 for those members enrolled on the programme.

### Value-based contracts with health professionals



How we add value to our key stakeholders *continued*

## Engaging with financial advisers (brokers)

The private healthcare sector in South Africa is complex, encompassing a multitude of types of providers, facilities, funding structures and mechanisms, and individual patient needs. Financial advisers play a critical role in helping existing and prospective members navigate this complexity, providing comprehensive and independent advice about the healthcare cover best suited to their specific health and affordability needs.

Financial advisers introduce individual consumers and employers to the full spectrum of medical schemes in the industry and assist them to compare the benefits, pricing, strengths, weaknesses and service levels of competing medical schemes. Consumers are then able to match their needs with the most appropriate medical scheme and plan offering. Once consumers have joined a scheme, financial advisers provide ongoing information through annual reviews, and update members and employers on product and service changes.

Financial advisers are reimbursed for their services according to legislated fees and their contractual arrangements with the Scheme; members do not pay them directly. Financial advisers are regulated by and must be registered with the Financial Services Board, and must comply with the Financial Advisory and Intermediary Services Act. In addition, they are accredited by the Council for Medical Schemes to provide advice on private healthcare cover.

Discovery Health engages extensively with advisers on the Scheme's behalf. Annual product launches and updates are complemented by in-depth training and assessment sessions to support advisers. The Scheme focuses specifically on ensuring that our health plan information is written in an easily understood and accessible way, for the benefit of both members and advisers.

**In 2016 the following engagement activities were conducted:**

- Annual product updates on the Scheme's product and benefit enhancements for the new benefit year were provided in a nationwide rollout to over 200 broker consultants and agents, and broadcast to more than 7 000 financial advisers from the annual product launch event.
- Nationwide presentations to corporate brokerages provided information on the Scheme's strategies, industry position, financial results and fraud management.
- Broker consultants were trained and their knowledge of the Scheme's products, the private healthcare sector, and sales and presentation skills were assessed.
- Major corporate brokerages were provided with a comprehensive analysis of the South African medical schemes industry, and comparative analysis of 2015 open medical scheme financials.
- Perception surveys were conducted to establish how satisfied brokers are with the service they receive. The overall perception score by brokers of Discovery Health for the year was 8.7 out of 10 (target: above 7.5).

## Engaging with Discovery Health (Pty) Ltd

Discovery Health is the largest administrator and managed care provider for medical schemes in South Africa, covering over 3.3 million lives which includes DHMS, the largest open scheme in South Africa, as well as 18 restricted schemes as clients.

The Scheme and Discovery Health have an arm's-length contractual relationship that governs all activities outsourced by the Scheme to Discovery Health. The working relationship between the two organisations is governed by a Vested outsourcing business model, which focuses on outcomes and is characterised by a shared vision and aligned objectives to ensure that both organisations work to the ultimate benefit of members.

Discovery Health is appointed by the Scheme's Board of Trustees and reports extensively to the Trustees, the Board Committees and the Scheme Office on a regular basis. The Trustees can therefore ensure that Discovery Health meets the strategic and operational requirements agreed on.

**The agreement that the Scheme has with Discovery Health contains extensive service level requirements, against which the Trustees monitor and measure Discovery Health's performance. The engagements between the Scheme and Discovery Health are frequent and focus on:**

- Scheme performance and risk management;
- Implementation of the Scheme's strategy;
- Product design and implementation of Scheme benefits;
- Marketing and sales;
- Member and other key stakeholder communication;
- Regulatory and industry matters;
- Service level agreement assessments and monitoring;
- Combined assurance; and
- Stakeholder relations – Discovery Health engages extensively with various stakeholders, including our members, on behalf of the Scheme.



Read more about the Vested outsourcing business model and how we conduct our operations on [pages 16 – 17](#).



## Engaging with employer groups

Many employers offer their employees the opportunity to join a medical scheme as part of their employee benefit package. Employees may fund this membership through a specified subsidy or a structured salary package. Publicly available information suggests that DHMS is the most popular open medical scheme among employers – 73% of members belonging to an open medical scheme as part of an employer group belong to DHMS<sup>1</sup>.

### In 2016 the following engagement activities were conducted:

- Corporate wellness days allowed interaction with members who are part of an employer group.
- Focused service and engagement strategies were developed with employer groups, tailored to suit their workforce's servicing needs.
- Annual product updates regarding the Scheme's product and benefit enhancements for the new benefit year were provided in a nationwide rollout to employer groups.

## Engaging with our employees

The Scheme is committed to protecting the dignity, safety and health of our employees, providing decent work, fair remuneration, training and development opportunities, and treating them equitably and ethically. A comprehensive set of Board-approved human resources policies are embedded in the Scheme's daily operations, and our Head of Human Resources manages and facilitates any employee-related matters.

The Scheme employs a small team which is essential to its effective operations, ensuring sustainability while responding in an agile way to industry developments and challenges. It is imperative that all employees are nurtured and developed to ensure the best efforts of fulfilled, engaged members of staff. Training and development opportunities are regularly identified and all staff members attend training relevant to their work and their potential within the Scheme. Periodic assessment and audit of the Scheme's value proposition to employees ensures staff satisfaction and retention, and quarterly performance assessments and discussions help employees stay on track in terms of their role objectives and career development.



Read more about the Scheme Office team on [page 21](#).

<sup>1</sup> Based on 2015 Global Credit Ratings reports for open medical schemes.

## Engaging with our regulatory bodies

The Scheme and Discovery Health are required to adhere to strict legislation, primarily the Medical Schemes Act (the Act). Maintaining constructive relationships with its regulators is critical to the Scheme's ability to create value, and we work hard to build and maintain a collaborative working approach and keep lines of communication open with the relevant authorities.

### COUNCIL FOR MEDICAL SCHEMES

**The CMS regulates all medical schemes in South Africa. Its role includes:**

- Protecting and educating the public regarding their medical scheme cover.
- Assessing and registration of schemes' rules and benefits.
- Handling complaints and disputes between the public and medical schemes.
- Ensuring that schemes comply with the Act and maintain a high standard of governance and management.
- Working with the Department of Health regarding regulatory and policy interventions.

The Scheme engages actively with the CMS on matters of policy, application and interpretation of rules, benefit design, Scheme finances and resolution of disputes with members. The Scheme enjoys a cordial and transparent working relationship with the CMS.

In 2016, the CMS published 90 circulars and the Scheme submitted responses where required. The CMS also publishes an annual report covering activity across the private healthcare industry.



Find out more about the CMS at [www.medicalschemes.com](http://www.medicalschemes.com).

### THE COMPETITION COMMISSION

The Competition Commission's market inquiry into the private healthcare sector continues. The inquiry is a general investigation into the state and types of competition in the market and does not relate to any specific organisations. One of the aims of the inquiry is to promote competition to the benefit of consumers. Its final report is expected in December 2017.

During 2016, the Scheme engaged regularly with the Health Market Inquiry Panel, made data and information submissions as required, and cooperated fully and openly in the process.



Find out more about the Healthcare Market Inquiry at [www.compcom.co.za/healthcare-inquiry/](http://www.compcom.co.za/healthcare-inquiry/).