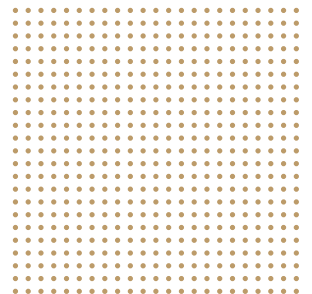




For the benefit of our
members

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

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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

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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

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Full Annual Financial Statements and notes to the Financial Statements.

Information Toolkit

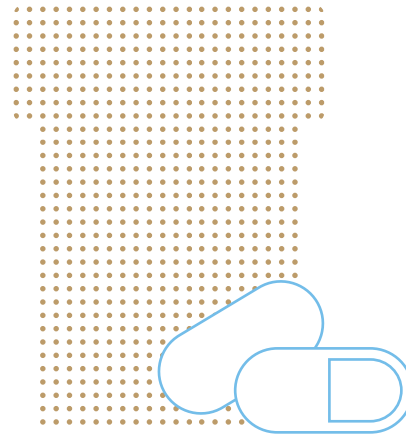
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A quick reference guide for contact information, feedback, compliments and complaints processes and guidance on where to find additional information.

Glossary

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

07 Information Toolkit




PRINCIPAL OFFICER CONTACT DETAILS


Email principalofficer@discovery.co.za or call +27 11 529 2888 and ask for the Principal Officer of Discovery Health Medical Scheme (DHMS).


COUNCIL FOR MEDICAL SCHEMES CONTACT DETAILS


DHMS is regulated by the Council for Medical Schemes (CMS).
The CMS can be contacted telephonically on **0861 123 267** or via email on information@medicalschemes.com.
The CMS is located at Block A, Eco Glades 2 Office Park, 420 Witch-Hazel Avenue, Eco Park, Centurion, 0157.

Important sources of information

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More information about DHMS is available at www.discovery.co.za/portal/individual/about-discovery-health-medical-scheme.
A full version of the Scheme Rules is available to registered members at www.discovery.co.za/medical-aid/scheme-rules.
More information about the various health plans offered by the Scheme are available at www.discovery.co.za/portal/individual/medical-aid-plan-range.
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The Medical Schemes Act 131 of 1998, as amended, which regulates medical schemes, is available on the Council for Medical Schemes' website at www.medicalschemes.com/Content.aspx?130.
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The International Integrated Reporting Framework and related resources can be found at <http://integratedreporting.org/>.
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The King Code of Governance for South Africa 2009 (King III) and the King IV Report on Corporate Governance for South Africa 2016 (King IV) can be found at www.iodsa.co.za/?page=kingIII.

Who to contact when you

- **HAVE ANY QUERIES ABOUT YOUR HEALTH PLAN**
Email healthinfo@discovery.co.za or call 0860 99 88 77 (+27 11 541 1222 when overseas). Remember to put your membership number in the subject line of the email.
- **HAVE A MEDICAL EMERGENCY**
Call 0860 999 911 (+27 11 541 1222 when overseas). Remember to have your membership number ready.
- **WANT TO SUBMIT A CLAIM**
Email claims@discovery.co.za. Remember to put your membership number in the subject line of the email.
- **HAVE A QUERY ABOUT HOW A CLAIM WAS PAID**
www.discovery.co.za/portal/individual/claims-search. You will need to be logged into the website to find the information you need.
- **WANT TO FIND INFORMATION ABOUT HOW WE COVER CERTAIN PROCEDURES**
www.discovery.co.za/portal/individual/what-we-cover. You will need to be logged into the website to find the information you need.
- **WANT TO FIND A DOCTOR WHERE YOU WON'T HAVE TO PAY A CO-PAYMENT**
www.discovery.co.za/portal/individual/maps-new. You will need to be logged into the website to find the information you need.
- **WANT TO GET PRE-AUTHORISATION FOR HOSPITAL STAYS, OR FIND OUT ABOUT GOING TO HOSPITAL**
www.discovery.co.za/portal/individual/going-to-hospital. You will need to be logged into the website to apply for authorisation.
- **NEED A DOCUMENT, FOR EXAMPLE, A TAX CERTIFICATE OR MEMBERSHIP CERTIFICATE**
www.discovery.co.za/portal/individual/find-a-document. You will need to be logged into the website to find the information you need.



If you want to submit a complaint or compliment, or lodge a dispute

Email healthinfo@discovery.co.za.

Remember to include your Discovery Health Medical Scheme membership number. Alternately, use the contact form on www.discovery.co.za.

▶ When you want to escalate a complaint to which you haven't received a satisfactory answer

Email healthinfo@discovery.co.za. Remember to include your Discovery Health Medical Scheme membership number, and specify in your email that you would like a Client Relationship Manager to contact you. If you have reference numbers from previous emails, please include these as well.

▶ When you want to contact the Principal Officer regarding a complaint escalation

Email principalofficer@discovery.co.za or call +27 11 529 2888 and ask for the Principal Officer of Discovery Health Medical Scheme.

▶ When you want to lodge a formal dispute

Email mydispute@discovery.co.za or call +27 11 529 2888 and ask to speak to a member of the Disputes team.

▶ When you want to submit a complaint to the Council for Medical Schemes (CMS)

You can contact the CMS at any stage of the complaints process but are encouraged to follow the steps above to resolve your complaint before contacting the CMS directly.

Email complaints@medicalschemes.com or call CMS Customer Care on 0861 123 267.

If you want to provide feedback on the Scheme's Integrated Annual Report

We would welcome specific feedback on the following:

- Was the Report understandable to you?
- Were you able to find the information you were looking for?
- Did the Report cover all the information relevant to your relationship with the Scheme?
- Was the report presented in a format that worked for you, and if not what you would prefer?

Email your feedback to dhms_stakeholders@discovery.co.za.

Want to choose the best plan for you and your family?

Choosing a plan for your family can be confusing, given the amount of information you have to consider. It is best to speak to your financial adviser, who will help you make the right decision based on your unique needs. It is also important to re-assess your plan every year before the annual cut-off date for plan changes, as your needs change and so do the contributions and benefits.

Financial advisers must be registered with the Financial Services Board and accredited by the Council for Medical Schemes. The Scheme pays the financial advisers' commission.



If you want to report fraud or unethical behaviour

Discovery Health provides a fraud hotline on behalf of the Scheme, and investigates possible instances of fraud. If you even slightly suspect someone of committing fraud, report all information to the fraud hotline.

You can also email our fraud department at forensics@discovery.co.za directly to investigate the matter. Discovery Health may reward you up to 10% of the monies recovered, as a result of reporting suspected fraud.

You may remain anonymous if you prefer.

- Toll-free phone: **0800 0045 00**
- Toll-free fax: **0800 00 77 88**
- Email: discovery@tip-offs.com
- Post: **Freepost DN298, Umhlanga Rocks 4320**

Information Toolkit *continued*

REGISTERED ADDRESSES

PRINCIPAL OFFICER

Dr Nozipho Sangweni
Discovery Health Medical Scheme
16 Fredman Drive
Sandton, 2196

**REGISTERED OFFICE ADDRESS
AND POSTAL ADDRESS**

Discovery Health Medical Scheme
16 Fredman Drive
Sandton, 2196
*PO Box 78622
Sandton, 2146*

**ADMINISTRATOR AND MANAGED
CARE PROVIDER**

Discovery Health (Pty) Ltd
16 Fredman Drive
Sandton, 2196
*PO Box 786722
Sandton, 2146*

AUDITORS

PricewaterhouseCoopers
Incorporated
2 Eglin Road
Sunninghill, 2157
*Private Bag X36
Sunninghill, 2157*

PRINCIPAL BANKERS

FNB Corporate
4 First Place, FNB Bank City
Cnr Pritchard & Simmonds Streets
Johannesburg, 2011
*PO Box 7791
Johannesburg, 2000*

INVESTMENT MANAGERS

ABAX INVESTMENTS (PTY) LTD

Coronation House, The Oval
1 Oakdale Road
Newlands, 7700
*PO Box 23851
Claremont, 7735*

**ALLAN GRAY INVESTMENTS
(PTY) LTD**

1 Silo Square
V&A Waterfront
Cape Town, 8001
*PO Box 51318
V&A Waterfront
Cape Town, 8002*

ALUWANI CAPITAL PARTNERS

EPPF Office Park
24 Georgian Crescent East
Bryanston East
2152

**ELECTUS FUND MANAGERS
(PTY) LTD**

Ground Floor
Great Westerford Building
240 Main Road
Rondebosch, 7700
*PO Box 23540
Cape Town, 8000*

**FUTUREGROWTH ASSET
MANAGEMENT (PTY) LTD**

3rd Floor, Great Westerford
Building
240 Main Road
Rondebosch, 7700
*Private Bag X6
Newlands, 7725*

**INVESTEC ASSET MANAGEMENT
(PTY) LTD**

36 Hans Strijdom Avenue
Foreshore
Cape Town, 8001
*PO Box 1826
Cape Town, 8000*

100 Grayston Drive
Sandown
Sandton, 2196
*PO Box 785700
Sandton, 2146*

LIBERTY CORPORATE

Libridge Building
25 Ameshoff Street
Braamfontein

MAZI ASSET MANAGEMENT

4th Floor North Tower
90 Rivonia Road
Sandton
2196

**TAQUANTA ASSET MANAGERS
(PTY) LTD**

7th Floor, Newlands Terraces
Boundary Road
Newlands
Cape Town, 7700
*PO Box 23540
Claremont, 7735*



GLOSSARY

This glossary contains definitions of some of the terms used in this Report, as well as some additional terms which may be of interest to readers. The list of terms is not exhaustive – see more at www.discovery.co.za/portal/medical-aid/terminology.

Administration	Basic medical scheme administration services include the collection of contributions, member and provider support services and the processing and paying of claims. Discovery Health (Pty) Ltd provides (DHMS) with a broad range of additional administration services, such as research and development activities, actuarial and business analytics, benefit design, fraud and forensics investigation, and marketing and communication services.
Benefits	Benefits (including medical services, procedures and/or medication) are offered by DHMS and relate to the healthcare cover a member receives in return for monthly contributions. DHMS has a wide range of plans designed to offer a variety of benefits to cater for individual requirements. Examples of DHMS benefits include <i>Hospital Benefits</i> , <i>Chronic Illness Benefits</i> and <i>Day-to-day Benefits</i> .
Board of Trustees	The Board oversees the affairs of the Scheme in the best interest of its members and stakeholders. Trustees are highly skilled individuals who offer their 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.
Brokers	See financial advisers.
Claims paying ability	Claims paying ability refers to how many times the Scheme is able to cover its monthly claims expense with its liquid investments.
Claims provision	See incurred but not reported (IBNR).
Consumer Price Index (CPI)	The Consumer Price Index (CPI) is the official measure of inflation in South Africa. CPI measures monthly changes in prices for a range of consumer products. Changes in CPI record the rate of inflation. CPI can also be used as a cost-of-living index.
Council for Medical Schemes	The Council for Medical Schemes (CMS) is a statutory body responsible for regulating the medical schemes industry in South Africa; it administers and enforces the Medical Schemes Act 131 of 1998, as amended.
Dependant	A person admitted as a dependant of a member. Beneficiaries of the Scheme include all members and their dependants.
Designated Service Provider (DSP)	The hospitals and healthcare providers and professionals with whom DHMS has contracted to provide healthcare services to members. DSPs have a payment arrangement with the Scheme to provide treatment or services at an agreed rate and without any co-payments required by members.
Discovery Limited	<p>An international organisation made up of companies like Discovery Health, Discovery Life, Discovery Vitality, Discovery Card and Discovery Insure. Discovery was named by Fortune Magazine as one of the 51 companies globally that have made a sizeable impact on major global, social or environmental problems as part of their competitive strategy and in 2015 received the Geneva Forum for Health Award, which recognises advances and contributions to healthcare systems.</p> <p>DHMS members have the option to join Discovery Vitality to take advantage of Vitality's wellness programmes as a complement to their medical insurance.</p>
Discovery Health (Pty) Ltd	Discovery Health (Pty) Ltd has been appointed by the Board of Trustees to provide administration and managed care services to the Scheme.
Discovery Health Medical Scheme (DHMS or the 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 by enabling the sustainable provision of high-quality and affordable healthcare to all of its members.

Glossary *continued*

Discovery Health Medical Scheme Rules (Scheme Rules or the Rules)	The Rules of the Scheme are registered by the Registrar for Medical Schemes in terms of the Medical Schemes Act 131 of 1998, as amended (the Act), including the benefit plan and schedules. Together with the Act, the Rules dictate how Discovery Health Medical Scheme operates.
Discovery Vitality	Discovery Vitality is a voluntary science-based wellness programme that encourages its members to get healthier by rewarding them for making healthy choices in support of wellness. Vitality is a separate wellness product sold and administered by Discovery Vitality (Pty) Ltd. Registration number 1999/007736/07, an authorised financial services provider.
Financial advisers (brokers)	Financial advisers (commonly also referred to as “brokers”) provide members with independent advice about their health plan options based on individual medical and affordability needs. Financial advisers must be registered with the Financial Services Board and accredited by the Council for Medical Schemes. The Scheme pays contracted financial advisers a legislated commission.
Formulary	See <i>Medicine list</i> .
Global Credit Rating Co. (GCR)	GCR rates the full spectrum of security classes and accords both International Scale and National Scale credit ratings, and together with its international affiliates, rates almost 3 000 organisations and debt issues – spanning four continents. (Source: https://globalratings.net/). GCR has issued DHMS with the highest possible credit rating in the medical scheme industry of AA+, confirming its financial strength and claims-paying ability.
Incurred but not reported (IBNR)	The incurred but not reported (IBNR) (or “outstanding claims provision”) is the total amount of payments due by the Scheme (in terms of its Rules) to healthcare providers for claims incurred (healthcare services provided/medicine supplied) by its members and/or their dependants, but which have not been lodged/ reported to the Scheme by the period end. The IBNR is an estimate and the Scheme makes use of various actuarial methods to reasonably predict such amounts at the period end. Further detail has been provided in Note 31 (Insurance Risk Management Report) to the Annual Financial Statements on pages 125 – 129.
King Code of Governance Principles and the King Report on Governance (King III), and the King IV Report (King IV)	The King Code is a set of guidelines for the governance structures and operations of organisations in South Africa and is non-legislative, being based on principles and practices. The Institute of Directors in Southern Africa (IoDSA) introduced the King Code of Governance Principles and the King Report on Governance (King III) in 2009 and introduced King IV in 2016.
Managed care	Managed care is the provision of appropriate, affordable, quality healthcare services through rules-based, clinical and disease management programmes.
Material matters	These are issues that impact on the Scheme’s ability to create value. They are determined by considering their effect on the organisation’s strategy, governance, performance or prospects. An understanding of the perspectives of key stakeholders is critical to identifying relevant matters.
Medical Savings Account	The Medical Savings Account (MSA) is an amount that gets set aside for members at the beginning of each year or when they join the Scheme. Members who choose a health plan with an MSA can use it for day-to-day healthcare expenses like doctor’s visits, optometry, medicine, pathology and radiology as long as they have money available. MSA funds not used at the end of the year will be carried over to the next year.
Medical Schemes Act 131 of 1998, as amended (the Act)	All registered schemes are regulated according to the Medical Schemes Act. Discovery Health Medical Scheme operates according to the Act. See www.medicalschemes.com/Content.aspx?130 .



Medicine list	A list of approved medicines the Scheme covers in full. The list is also known as a formulary or preferred medicine list and includes an extensive range of high-quality medicines. The medicine list used by the Scheme for the Chronic Disease List complies with the guidelines issued by the Council for Medical Schemes and are safe, clinically appropriate, and cost-effective for the treatment of a specific condition.
Member	A person who is admitted as a member in terms of the Rules of the Scheme. A member may not be a dependent of another member, but may have dependants.
Networks and network providers	Some health plans, benefits and healthcare services require members to use the Scheme's network providers. By using these providers, the Scheme is able to keep member contributions as affordable as possible while at the same time ensuring full cover.
Non-healthcare expenses	The sum of non-healthcare fees paid to the Administrator, financial adviser commissions (acquisition costs) and other management expenses (which include advertising expenditure, staff costs, bad debts, impairments, etc). Schemes are obligated to exercise a high degree of control over non-healthcare expenditure, as these can place additional pressure on their net healthcare performances, particularly in high-claiming years.
Open (unrestricted) scheme	A medical scheme which anyone can join, subject to the rules of the scheme (see restricted (closed) scheme).
Prescribed Minimum Benefit conditions	<p>In terms of the Medical Schemes Act 131 of 1998 and its regulations, all medical schemes have to cover the costs related to the diagnosis, treatment and care of:</p> <ul style="list-style-type: none">▪ Any life-threatening emergency medical condition;▪ A defined set of 270 diagnosis and treatment pairs; and▪ 27 chronic conditions. <p>These conditions and their treatments are known as the Prescribed Minimum Benefits (PMB).</p> <p>All medical schemes in South Africa have to include the Prescribed Minimum Benefits in the health plans they offer to their members. There are, however, certain requirements that a member must meet before they can benefit from the Prescribed Minimum Benefits.</p> <p>The three requirements are:</p> <ol style="list-style-type: none">1. The condition must be part of the list of defined PMB conditions;2. The treatment needed must match the treatments in the defined benefits on the PMB list; and3. Members must use the scheme's designated healthcare service providers, unless in an emergency, or may be required to make a co-payment.
Restricted (closed) scheme	A medical scheme to which membership is restricted, based on employment by a particular employer or in a particular profession, trade or industry (see open (unrestricted) scheme).
Scheme Rules	See <i>Discovery Health Medical Scheme Rules</i> .
Solvency	The Medical Schemes Act of 1998 requires that each scheme retain a buffer of cash reserves to utilise against higher than expected claims resulting from random industry variations, including unexpected changes in membership profile, very large individual claims, and multiple claims arising from a catastrophic event or an epidemic. The minimum required solvency level to be maintained by a medical scheme is 25% of gross annual contributions.
Vested®	Vested® is an outsourcing business model, methodology, mindset and movement for creating highly collaborative business relationships that enable true win-win relationships in which both parties are equally committed to each other's success. When applied, a Vested® approach fosters an environment that sparks innovation, resulting in improved service, reduced costs and value that didn't exist before – for both parties. Vested® is based on award-winning research conducted by the University of Tennessee's College of Business Administration. (Source: www.vestedway.com/).
Vitality	See <i>Discovery Vitality</i> .



Find more terms at www.discovery.co.za/portal/medical-aid/terminology.