



FOR OUR  
MEMBERS

INTEGRATED  
REPORT 2017



# INTEGRATED REPORT 2017

Discovery Health Medical Scheme's Integrated 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.

## OUR STAKEHOLDERS AND GOOD CORPORATE CITIZENSHIP

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This section discusses the Scheme's approach to responsible corporate citizenship and its ethics and values. It 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, who are its primary stakeholders.

## GOVERNANCE

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For 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 2017.

## PERFORMANCE

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For readers who are interested in more about the performance of the Scheme during 2017, this chapter provides management commentary on the Scheme's strategic, operating and financial performance during 2017. It also includes a review of initiatives undertaken by Discovery Health on behalf of the Scheme and its members.

## ABOUT OUR REPORT

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

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## FINANCIALS

Full Annual Financial Statements and notes to the Financial Statements.

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## ABOUT DHMS

For current and potential members, this chapter provides an overview of the Scheme and its material matters, key risks and objectives.

It also indicates who leads and governs the Scheme, and provides a snapshot of key performance information.

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## RESOURCES AND GLOSSARY

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

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

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## RESOURCES AND GLOSSARY



# RESOURCES AND GLOSSARY

### Contact details

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

**COUNCIL FOR MEDICAL SCHEMES**  
DHMS is regulated by the Council for Medical Schemes (CMS).  
The CMS can be contacted by telephone on **0861 123 267** or via email on [information@medicalschemes.com](mailto: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

More information about DHMS is available at [www.discovery.co.za/medical-aid/about-discovery-health-medical-scheme](http://www.discovery.co.za/medical-aid/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](http://www.discovery.co.za/medical-aid/scheme-rules).

More information about the various health plans offered by the Scheme are available at <https://www.discovery.co.za/medical-aid/our-medical-aid-plans>.

The Medical Schemes Act 131 of 1998, as amended, which regulates medical schemes, is available on the CMS website at [www.medicalschemes.com/Content.aspx?130](http://www.medicalschemes.com/Content.aspx?130).

The International Integrated Reporting Framework and related resources can be found at <http://integratedreporting.org/>.

The King Report on Governance for South Africa and King Code of Governance Principles 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](http://www.iodsa.co.za/?page=kingIII) and [www.iodsa.co.za/page/DownloadKingIVapp](http://www.iodsa.co.za/page/DownloadKingIVapp) respectively.

## WHO TO CONTACT WHEN YOU:

Have a medical emergency or need medically-equipped transport

Call **0860 999 911 (+27 11 541 1222)** when outside of South Africa). Remember to have your membership number ready.

Have any queries about your health plan, benefits, hospital authorisations and claims

Email [healthinfo@discovery.co.za](mailto:healthinfo@discovery.co.za) or call **0860 99 88 77 (+27 11 541 1222)** when outside of South Africa). Remember to put your membership number in the subject line of the email.

Want to submit a claim

Email [claims@discovery.co.za](mailto:claims@discovery.co.za). Remember to put your membership number in the subject line of the email.

Want to see your claims and how they were paid

[www.discovery.co.za/medical-aid/your-medical-claims](http://www.discovery.co.za/medical-aid/your-medical-claims). 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](http://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/medical-aid/maps](http://www.discovery.co.za/medical-aid/maps). 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](http://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 such as a tax certificate or membership certificate

[www.discovery.co.za/medical-aid/find-documents](http://www.discovery.co.za/medical-aid/find-documents). You will need to be logged into the website to find the information you need.



## COMPLAINTS, COMPLIMENTS OR DISPUTES

DHMS is committed to providing you with the highest standard of service and your feedback is important to us. The following channels are available for you to communicate with us and we encourage you to follow the process.

### STEP 1:

#### TO TAKE YOUR QUERY FURTHER

If you have already contacted us and feel that your query has still not been resolved, please complete our online complaints form at [www.discovery.co.za/corporate/contact-us#ContactDHMS](http://www.discovery.co.za/corporate/contact-us#ContactDHMS).

Alternately, email [healthinfo@discovery.co.za](mailto:healthinfo@discovery.co.za), include your DHMS 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 related to the complaint, please include these as well.

We would also love to hear from you if we have exceeded your expectations.

### STEP 2:

#### TO CONTACT THE PRINCIPAL OFFICER

If you are still not satisfied with the resolution of your complaint after following the process in step 1, you can escalate your complaint to the Principal Officer of DHMS. In the Contact Us section of the website, you can use the Contact the Principal Officer form at [www.discovery.co.za/corporate/contact-us#ContactDHMS](http://www.discovery.co.za/corporate/contact-us#ContactDHMS), or alternately email [principalofficer@discovery.co.za](mailto:principalofficer@discovery.co.za) or call **+27 11 529 2888** and ask for the Principal Officer of DHMS.

### STEP 3:

#### TO LODGE A DISPUTE

If you have received a final decision from DHMS and want to challenge it, you may lodge a formal dispute.

Email [mydispute@discovery.co.za](mailto:mydispute@discovery.co.za) or call **+27 11 529 2888** and ask to speak to a member of the Disputes team.

### STEP 4:

#### TO CONTACT THE COUNCIL FOR MEDICAL SCHEMES

DHMS is regulated by the CMS. You may contact the CMS Council 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](mailto:complaints@medicalschemes.com), call **+27 12 431 0500** or call CMS Customer Care on **0861 123 267**.

## FEEDBACK ON THE SCHEME'S INTEGRATED REPORT

We welcome any comments or specific feedback on the following:

- Was the Integrated Report (this Report) understandable to you?
- Were you able to find the information you were looking for, and if not, what were you looking for?
- Did this Report cover all the information relevant to your relationship with the Scheme?
- Was this 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](mailto:dhms_stakeholders@discovery.co.za).

## CHOOSING THE BEST PLAN FOR YOU AND YOUR FAMILY

Choosing a plan for your family can be confusing, given the amount of information you should 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 CMS. The Scheme pays the financial adviser's commission.

You can also find information about the various health plans offered by the Scheme at

<https://www.discovery.co.za/medical-aid/our-medical-aid-plans>.

## REPORTING FRAUD OR UNETHICAL BEHAVIOUR

As the Scheme's Administrator and Managed Care Provider, Discovery Health (Pty) Ltd (Discovery Health) provides a fraud hotline and investigates possible instances of fraud. If you even slightly suspect someone of committing fraud or behaving unethically, report all information to the fraud hotline on the number below. You can also email our fraud department at [forensics@discovery.co.za](mailto:forensics@discovery.co.za) to investigate the matter.

You may remain anonymous if you prefer.

- Toll-free call: **0800 0045 00**
- Toll-free fax: **0800 00 77 88**
- Email: [discovery@tip-offs.com](mailto:discovery@tip-offs.com)
- Post: **Freeport DN298, Umhlanga Rocks, 4320**

### REGISTERED ADDRESSES

#### PRINCIPAL OFFICER

Dr Nozipho Sangweni  
Discovery Health Medical Scheme  
1 Discovery Place,  
Sandton, 2146

#### REGISTERED OFFICE ADDRESS AND POSTAL ADDRESS

Discovery Health Medical Scheme  
Ground Floor, The Ridge,  
Corner of Rivonia Road and Katherine Street,  
Sandton, 2146  
PO Box 786722,  
Sandton, 2146

#### ADMINISTRATOR AND MANAGED CARE PROVIDER

Discovery Health (Pty) Ltd  
1 Discovery Place,  
Sandton, 2146  
PO Box 786722,  
Sandton, 2146

#### AUDITORS

PricewaterhouseCoopers Incorporated  
4 Lisbon Lane,  
Waterfall City, Jukskei View, 2090  
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

#### ALUWANI CAPITAL PARTNERS (PTY) LTD

EPPF Office Park,  
24 Georgian Crescent East,  
Bryanston East, 2152

#### ALLAN GRAY INVESTMENTS (PTY) LTD

1 Silo Square,  
V&A Waterfront,  
Cape Town, 8001

#### FAIRTREE CAPITAL (PTY) LTD

Willowbridge Place,  
Cnr Carl Cronje Drive & Old Oak Road,  
Bellville, 7530

#### FUTUREGROWTH ASSET MANAGEMENT (PTY) LTD

3rd Floor, Great Westerford Building,  
240 Main Road,  
Rondebosch, 7700

#### INVESTEC ASSET MANAGEMENT (PTY) LTD

36 Hans Strijdom Avenue,  
Foreshore, Cape Town, 8001

100 Grayston Drive,  
Sandown, Sandton, 2196

#### LIBERTY CORPORATE

Libridge Building,  
25 Ameshoff Street,  
Braamfontein, 2001

#### MAZI ASSET MANAGEMENT (PTY) LTD

4th Floor North Tower,  
90 Rivonia Road,  
Sandton, 2196

#### SESEKILE CAPITAL (PTY) LTD

2nd Floor, 18 The High Street,  
Melrose Arch,  
Johannesburg, 2076

#### STANLIB ASSET MANAGEMENT LTD

17 Melrose Boulevard,  
Melrose Arch, 2076

#### TAQUANTA ASSET MANAGERS (PTY) LTD

7th Floor, Newlands Terraces,  
Boundary Road,  
Newlands, 7700

# 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 <https://www.discovery.co.za/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 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. Discovery Health also provides DHMS with managed care 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 hospital benefits, chronic illness benefits and day-to-day benefits.

## ● BOARD OF TRUSTEES

The Board of Trustees (the Board or the Trustees) oversee the affairs of the Scheme in the best interest of its members and other 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

How many times the Scheme is able to cover its monthly claims expense with its liquid investments.

## ● CLAIMS PROVISION

See *incurred but not reported*.

## ● CONSUMER PRICE INDEX

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 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 (the Act).

## ● DEPENDANT

A member or person admitted as a dependant of a member. Beneficiaries of the Scheme include all members and their dependants.

## ● DESIGNATED SERVICE PROVIDER

The hospitals and healthcare providers and professionals with whom DHMS has contracted to provide healthcare services to members. Designated Service Providers have a payment arrangement with DHMS to provide treatment or services at an agreed rate and without any co-payments required by members.

## ● DISCOVERY LIMITED<sup>1</sup>

An international organisation made up of companies including Discovery Health, Discovery Life, Discovery Vitality, Discovery Card and Discovery Insure.

In 2015, 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. Also in 2015, Discovery received the Geneva Forum for Health Award that recognises advances and contributions to healthcare systems.

Discovery Limited and Discovery Health make use of a shared value insurance model, based on a Harvard Business Review-published<sup>2</sup> framework to create economic value while addressing a societal need. In Discovery, this model aims to affect people's behaviour to make them more healthy, which in turn lowers insurance risk and keeps contributions lower for customers.

DHMS members have the option to join Discovery Vitality to take advantage of their wellness programmes as a complement to their medical aid.

## ● DISCOVERY HEALTH (PTY) LTD

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

## ● DISCOVERY HEALTH MEDICAL SCHEME<sup>3</sup>

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

## ● DISCOVERY HEALTH MEDICAL SCHEME RULES

The Discovery Health Medical Scheme Rules (Scheme Rules or the Rules) are registered by the Registrar for Medical Schemes in terms of the Act, including the benefit plan and schedules. Together with the Act, the Rules dictate how DHMS operates.

1 Discovery Ltd. Registration number: 1999/007789/06. Companies in the group are authorised financial service providers.

2 Michael E. Porter and Mark R. Kramer, *Creating Shared Value*, Harvard Business Review, January-February 2011.

3 Discovery Health Medical Scheme is regulated by the Council for Medical Schemes and is administered by Discovery Health (Pty) Ltd, registration number 1997/013480/07, an authorised financial services provider.

### ● 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

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 CMS. The Scheme pays contracted financial advisers a legislated commission.

### ● FORMULARY

See *Medicine list*.

### ● GLOBAL CREDIT RATINGS

Global Credit Ratings (GCR) rates the full spectrum of security classes and accords both International Scale and National Scale credit ratings. Together with its international affiliates, GCR 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 AAA, confirming its financial strength and claims-paying ability.

### ● INCURRED BUT NOT REPORTED

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 (such as healthcare services provided and 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 under Note 30 in the Annual Financial Statements.

### ● INSTITUTE OF DIRECTORS IN SOUTHERN AFRICA

The Institute of Directors in Southern Africa (IoDSA) is a non-profit company that represents directors and professionals charged with corporate governance and governance in their individual capacities. The IoDSA offers a wide variety of governance resources, training and services and is the custodian of the King Reports in South Africa.

### ● KING REPORTS

The various King Reports are a set of guidelines for the governance structures and operations of organisations in South Africa. They are non-legislative, being based on principles and practices. IoDSA introduced the King Code of Governance Principles and the King Report on Governance (King III) in 2009 and introduced the King IV Report on Corporate Governance for South Africa 2016 (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. Discovery Health provides DHMS with managed care services for its members.

### ● MATERIAL MATTERS

In integrated reporting, 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 in the account. MSA funds not used at the end of the year are carried over to the next year.

### ● MEDICAL SCHEMES ACT

The Medical Schemes Act 131 of 1998, as amended regulates all registered schemes. DHMS operates according to the Act. See <https://www.medicalschemes.com/Content.aspx?130>.

### ● MEDICINE LIST

A list of approved medicines that 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 CMS, 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, but does not include a dependant.

### ● 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 can keep member contributions as affordable as possible while ensuring full cover at the same time.

### ● 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 that anyone can join, subject to the rules of the scheme (see restricted (closed) scheme).

### ● PRESCRIBED MINIMUM BENEFIT CONDITIONS

In terms of the Act and its regulations, all medical schemes have to cover the costs related to the diagnosis, treatment and care of:

- Any life-threatening emergency medical condition;
- A defined set of 270 diagnosis and treatment pairs; and
- 27 chronic conditions.

These conditions and their treatments are known as the Prescribed Minimum Benefits (PMBs).

All medical schemes in South Africa must include the PMBs in the health plans they offer to their members. However, there are certain requirements that a member must meet before they can benefit from the PMBs, being:

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; and
3. Members must use the scheme's designated healthcare service providers, unless in an emergency, or they 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 *Discovery Health Medical Scheme Rules*.

### ● SOLVENCY

The Act requires that each scheme retains 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® OUTSOURCING MODEL

Vested® is an outsourcing 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: <http://www.vestedway.com/>).

### VITALITY

See *Discovery Vitality*.

More terms are available at <https://www.discovery.co.za/medical-aid/terminology>.