



23 August 2017

The Registrar
Council for Medical Schemes
Block A
Eco Glades 2 Office Park
420 Witch-Hazel Avenue
Centurion
0157

BY HAND

Dear Sir,

BUSINESS PLAN IN RESPECT OF THE PROPOSED AMALGAMATION OF UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG STAFF MEDICAL AID FUND ("WitsMed") WITH DISCOVERY HEALTH MEDICAL SCHEME ("DHMS")

In terms of Section 63 of the Medical Schemes Act No. 131 of 1998, as amended, I enclose a Business Plan in support of an application for approval of the above-mentioned proposed transaction.

Yours faithfully,

T F TODD (MRS)
Principal Officer



**BUSINESS PLAN FOR
THE PROPOSED AMALGAMATION
OF
UNIVERSITY OF THE WITWATERSRAND,
JOHANNESBURG STAFF MEDICAL AID FUND
WITH
DISCOVERY HEALTH MEDICAL SCHEME
IN TERMS OF SECTION 63
OF THE MEDICAL SCHEMES ACT,
No. 131 of 1998, as amended**

August 2017

Contents

1.	EXECUTIVE SUMMARY	2
2.	MEDICAL SCHEME SUMMARY	7
3	STRATEGY AND IMPLEMENTATION	22
4	MARKET ANALYSIS	23
5	CONTRIBUTIONS	28
6	BENEFIT OPTIONS	32
7	GOVERNANCE	41
8	RISK MANAGEMENT	44
9	FINANCIAL PLAN	46
10	CONCLUSION	47

ANNEXURE A ASSESSMENT OF POTENTIAL AMALGAMATION PARTNERS

ANNEXURE B DHMS 2017 PLAN COMPARISON

ANNEXURE C DHMS AMALGAMATION TERMS AND CONDITIONS

ANNEXURE D FINANCIAL PROJECTIONS

ANNEXURE E PROJECT PLAN

ANNEXURE F WITSMED MEMBER COMMUNICATION

1. EXECUTIVE SUMMARY

1.1 Objective

This document outlines a proposal for the amalgamation of the University of the Witwatersrand, Johannesburg Staff Medical Aid Fund ("WitsMed") with Discovery Health Medical Scheme ("DHMS") and aims to support the Registrar of the Council for Medical Schemes in his decision to approve such a transfer. It is envisaged that the amalgamation will take effect on 1 January 2018.

1.2 Background information

The complex medical scheme environment and other operational factors requires medical scheme Boards of Trustees to regularly evaluate the long-term sustainability of their Schemes.

The key factors affecting the sustainability of WitsMed are:

- **Strategic objectives of the employer group**

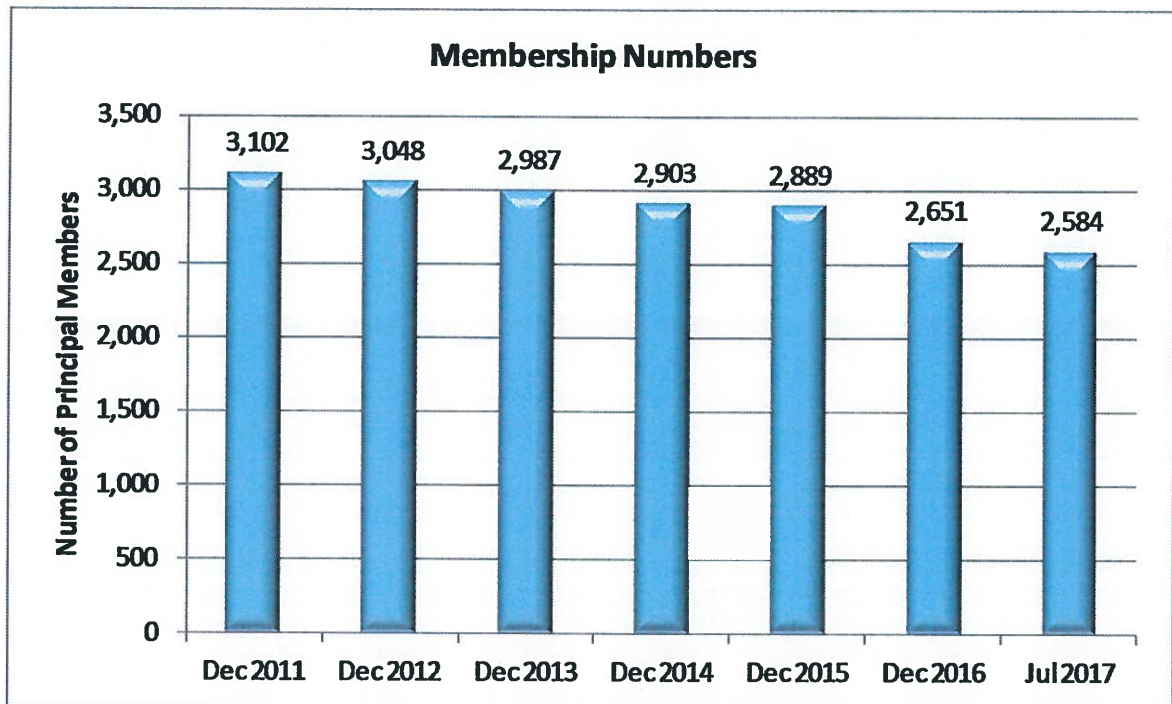
Although WitsMed is a separate legal entity, the University of the Witwatersrand ("the University/the employer") is an important stakeholder in WitsMed. The employer has recently faced pressures from active employees and labour unions to offer more choice in terms of the available medical schemes in which staff can participate. The University subsequently made a strategic decision to withdraw exclusive support for WitsMed as the approved medical scheme for all staff and to introduce up to three additional open market schemes effective 1 January 2018. This has ramifications for WitsMed's demographic profile given that younger and healthier staff members are likely to move to an open medical scheme as they do not require the comprehensive benefits offered by WitsMed and can purchase a more appropriate level of cover at a lower cost in the open market.

- **Limited number of benefit options**

Currently, WitsMed offers two benefit options, the Standard Option and the Network Option, although no members currently participate in the Network Option because of the limited interest in the cheaper option when WitsMed attempted to launch that option in 2016, and again in early 2017. Typically open medical schemes offer a range of benefit options to suit the different healthcare requirements and affordability issues of individual members. WitsMed's single operational benefit offering restricts members' ability to select an appropriate benefit plan based on their healthcare needs thus limiting members' freedom of choice and flexibility. It also limits the participating employer's ability to provide a medical scheme offering that is attractive to all employees and assists in the retention of such employees.

- **Low membership base**

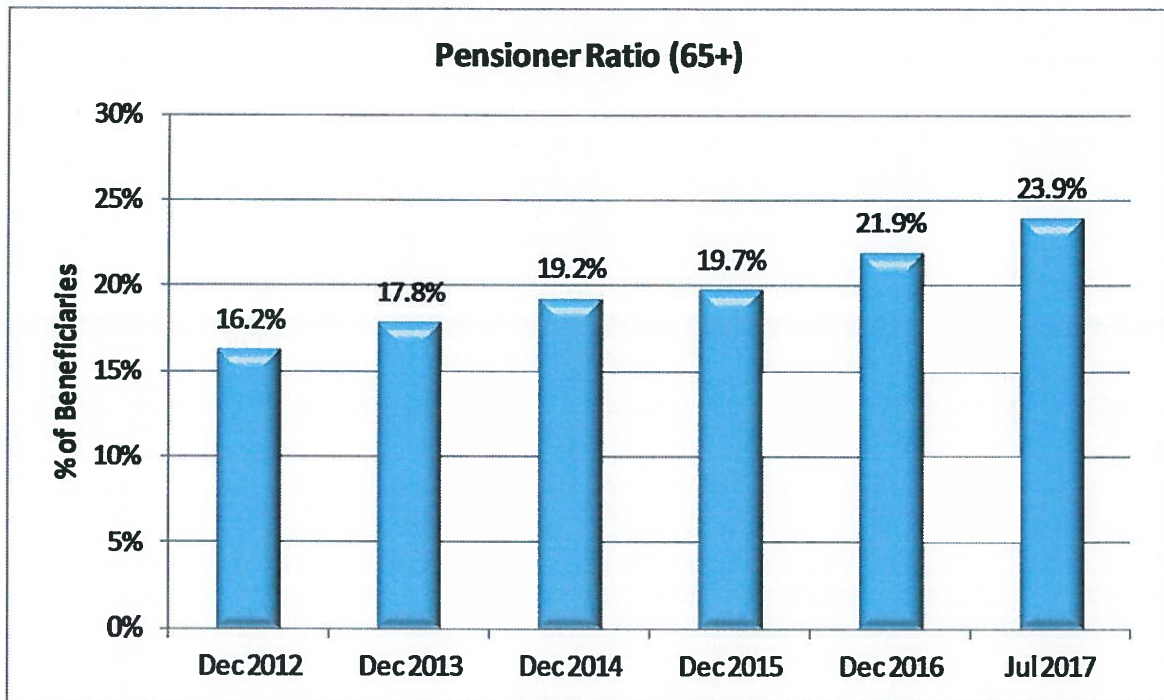
The membership of WitsMed declined from 3,102 to 2,584 principal members over the past six years as seen in the graph below.



WitsMed's small membership base amplifies the potential negative impact of high cost claims on its financial performance. WitsMed's current membership is short of the required 6,000 principal members to register a new medical scheme as per the Medical Schemes Act, No. 131 of 1998, as amended. Whilst the Registrar of the Council for Medical Schemes is not exerting any immediate pressure on WitsMed because of low membership, the size of WitsMed is becoming an increasingly important factor in its future financial sustainability. The marked drop in membership from 2,889 to 2,584 from December 2015 to July 2017 is a direct result of the University of the Witwatersrand allowing its employees earning below R 205,000 per annum to withdraw from WitsMed and to join the Keyhealth Medical Scheme during 2016 and 2017.

- **Declining demographic profile**

The table below shows that the WitsMed pensioner ratio (beneficiaries aged 65 years or older) has increased to 23.9% as at 31 July 2017. This is well above the industry average of 7.7% (Source: Council for Medical Schemes Annual Report 2015-2016).



Older members tend to claim more than younger members and thus WitsMed faces the likelihood of its aging population having an increasing burden of disease resulting in higher claim patterns and volatility. WitsMed's average beneficiary age of 44.81 years as at June 2017 (December 2015: 42.7 years) is also above the industry average of 32.3 years (Source: Council for Medical Schemes Annual Report 2015-2016). WitsMed's demographic profile is likely to worsen further as membership declines due to the strategic decision taken by the University of the Witwatersrand to permit members of staff to join other schemes.

- **Process**

Given the above factors, at a Special WitsMed Board of Trustees meeting held on 30 June 2017 the Trustees of WitsMed resolved to amalgamate WitsMed with an appropriate amalgamation partner and to appoint Alexander Forbes Health (Pty) Ltd as the transaction advisor and project manager for the amalgamation.

As a first step in the amalgamation assessment process, South Africa's top 10 open medical schemes, in terms of size, were evaluated. In addition, the restricted medical scheme Profmed was also considered. The full list of all schemes considered includes:

- Discovery Health Medical Scheme (DHMS)
- Bonitas Medical Fund (Bonitas)
- Medihelp Medical Scheme (Medihelp)
- Medshield Medical Scheme (Medshield)
- Momentum Health Medical Scheme (Momentum)
- Fedhealth Medical Scheme (Fedhealth)
- Bestmed Medical Aid Scheme (Bestmed)
- Hosmed Medical Aid Scheme (Hosmed)
- Sizwe Medical Fund (Sizwe)
- Keyhealth Medical Scheme (Keyhealth)
- Profmed

These schemes were evaluated on the basis of good governance, demographic profile, financial results and benefit offering.

The recent curatorships of Medshield, Hosmed and Sizwe excluded them from further participation in this assessment. Bestmed and Momentum were also excluded on the basis of their benefit offerings being poor matches for WitsMed either in terms of benefit richness or contributions. Profmed was excluded due to the scheme's eligibility criteria requiring members to hold a four year professional degree, which is not true of all members participating in WitsMed.

As a second step, the Board of Trustees performed a technical assessment of the five remaining candidate schemes. The schemes were evaluated by the Trustees according to a "scorecard" based on established assessment criteria. Each assessment criteria was weighted for importance as determined by the Trustees.

Based on the technical analysis DHMS, Fedhealth, and Keyhealth were shortlisted as potential amalgamation partners. These three schemes were invited to present their value propositions at a Special WitsMed Board of Trustees meeting held on 21 July 2017. In their presentations, each scheme was asked to cover its financial position and strategic vision, administration and member servicing model, clinical and financial risk management model, terms and conditions of the offer as well as any value-add to members.

The three shortlisted schemes were provided with claims and membership data for WitsMed in addition to the WitsMed rules, benefit brochures, annual financial statements, and the most recent management accounts. Fedhealth and Keyhealth considered the request for an amalgamation proposal but indicated that they were not interested in an amalgamation with WitsMed. DHMS responded saying that they would be interested in the transaction.

Following the presentation by DHMS and WitsMed Trustee deliberations, DHMS was selected as the preferred amalgamation partner for the following reasons:

- DHMS offers a wider range of benefit options from which WitsMed members can select according to their medical needs and the affordability of the options.
- DHMS's large investments in technological innovation.
- DHMS offers the same service provider networks (hospitals, general practitioners, specialists and medication dispensaries) as WitsMed within a range of benefit options.
- An amalgamation of WitsMed with DHMS will cause little disruption for members as both schemes are administered by Discovery Health (Pty) Ltd. Membership and clinical data could be seamlessly transferred to DHMS.
- The participating employer would also experience very little disruption as the membership and contribution management administration platform would remain the same.
- WitsMed members will be able to retain their Vitality benefits which are highly valued by a large portion of the membership.

The proposed date for the amalgamation is 1 January 2018, subject to the outcome of voting by the WitsMed and DHMS members, and approval from the Registrar of the Council for Medical Schemes and the Competition Commission.

1.3 Advantages and Disadvantages of the transaction to both schemes

DHMS and DHMS members are not expected to encounter any advantages or disadvantages due to the amalgamation with WitsMed. Whilst the demographic profile of WitsMed is worse than that of DHMS, the DHMS impact analysis and assessment of WitsMed indicates that the level of reserves that will be transferred to DHMS on 1 January 2018 will serve as adequate compensation for the poorer demographic profile of WitsMed members and the large number of members of DHMS relative to the small number of WitsMed members will greatly dilute the impact that the WitsMed high pensioner ratio might have on the DHMS pensioner ratio.

The advantages of the proposed amalgamation to WitsMed and WitsMed members are listed below:

- DHMS offers a large, stable risk pool with reduced claims and contributions volatility.
- Extensive data analytics and effective risk management strategies and principles will facilitate competitive negotiations with provider groups.
- WitsMed members who join DHMS on 01 January 2018 will be accepted by DHMS without any underwriting. WitsMed members who do not join DHMS by 1 January 2018 will be subject to underwriting if they decide to join at a later date. For new employees of the University of the Witwatersrand, there will be a three month window period from the start date of employment to join DHMS without underwriting, but any new employees joining DHMS after the three month window period will be subject to underwriting.
- The existing late joiner penalties and waiting periods (general and condition-specific) of WitsMed members will be transferred to DHMS and applied.
- Income rated contributions for WitsMed members wishing to participate on an option that is income rated, such as the DHMS KeyCare range of options
- The alternatives to amalgamation (status quo or voluntary liquidation) will be avoided. Such alternatives would result in worse outcomes for the most vulnerable members of WitsMed such as:
 - High future contribution increases coupled with benefit reductions if WitsMed continues to operate in an environment where WitsMed stands to lose young and healthy members, which removes the inherent cross-subsidies within the Scheme
 - Waiting periods and/or late joiner penalties which may be applied in the scenario where the Trustees pursue a voluntary liquidation.

The perceived disadvantages of the proposed amalgamation to WitsMed and WitsMed members are listed below, some of which may manifest as a result of the move from a restricted to an open medical scheme:

- WitsMed members will need to understand a different benefit design compared to what they are currently used to. WitsMed offers traditional options, whereas all options on DHMS are currently classified as new generation options, most of which incorporate a medical savings account. Medical scheme brokers will be appointed by the University of the Witwatersrand to ensure that members understand the new benefit structure.
- Although DHMS options may not provide an exact match to the benefits currently offered by WitsMed, members will now have a wider choice of options to suit their healthcare needs and affordability levels.
- WitsMed members will lose the personal service offered by a small restricted scheme. However the Discovery Health's infrastructure and member support systems provide a range of engagement options for members whereby they can make contact through a call centre, via the website, through the Discovery member App on their smart phones or tablets or by visiting walk-in centres around the country.
- Although WitsMed members will lose the generous *ex-gratia* benefits currently available to them, DHMS also has a robust *ex-gratia* process.

2. MEDICAL SCHEME SUMMARY

2.1 Background information on the amalgamating schemes

The University of the Witwatersrand, Johannesburg Staff Medical Aid Fund was registered on 18 May 1971 and is a restricted medical scheme available to current and retired employees of the University of the Witwatersrand. The Scheme offers two benefit options, the Standard and Network Options. The Scheme is administered by Discovery Health (Pty) Ltd and is managed by an independent Board of Trustees.

Discovery Health Medical Scheme is an open medical scheme which was originally registered on 8 October 1993. The Scheme currently offers a range of 23 benefit options (including network efficiency discount options) that vary from capitated network plans targeted at lower income households, to open network new generation plans offering comprehensive benefits to very extensive comprehensive cover. Since beginning its operations, DHMS has become the largest medical scheme in South Africa with a membership of more than one million principal members. From 2010 to date, DHMS has amalgamated with eight medical schemes, namely Afrisam Medical Scheme, Umed Medical Scheme, Edcon Medical Aid, Nampak South Africa Medical Scheme, IBM South Africa Medical Scheme, PG Bison Medical Scheme, Afrox Medical Scheme and Altron Medical Aid.

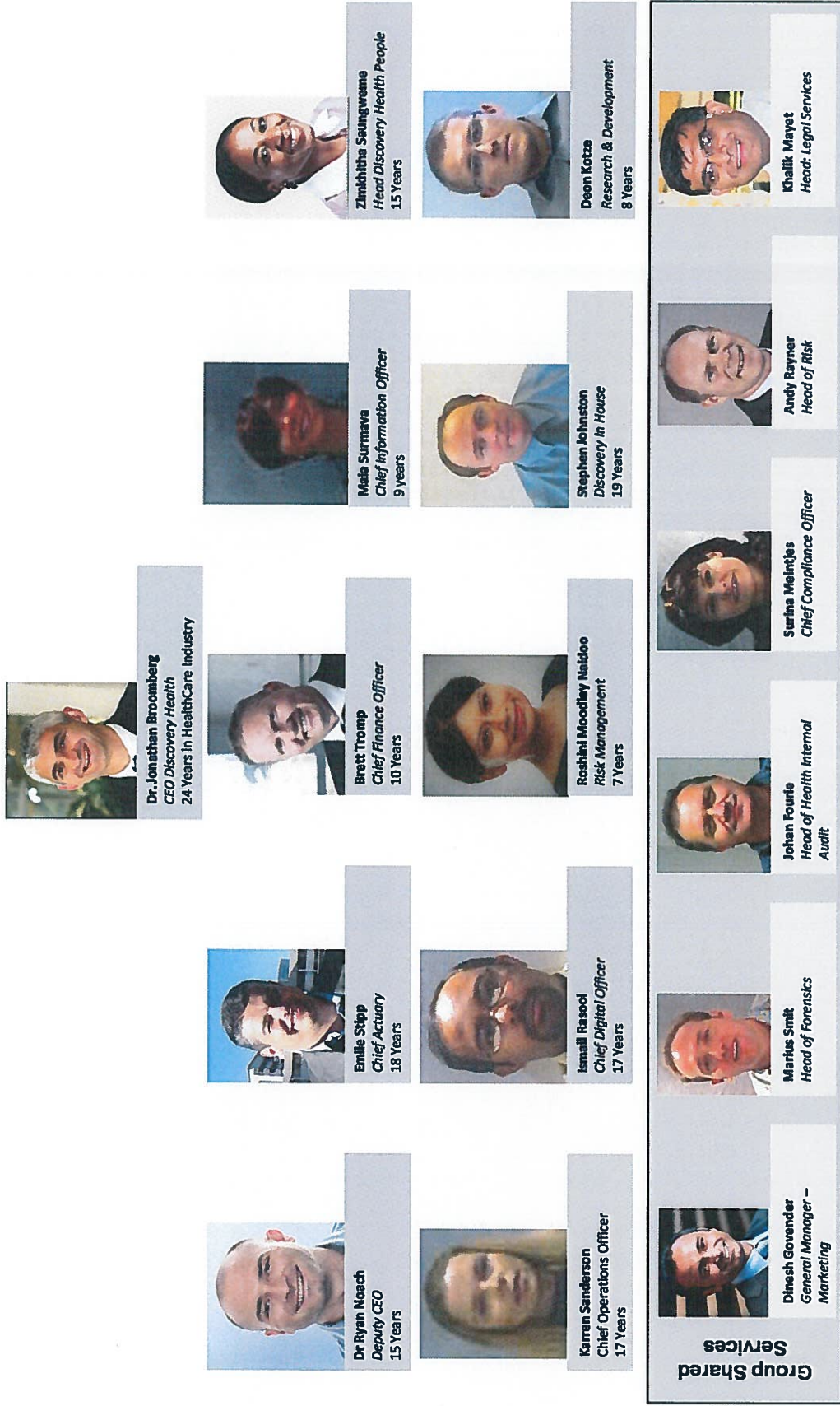
2.1.1 Operational comparison

The table below shows the current third party service providers for both schemes. After amalgamation DHMS's third party service providers will be used.

	WitsMed	DHMS / Amalgamated Scheme
Type of scheme	Restricted	Open
Administrator	Discovery Health (Pty) Ltd	Discovery Health (Pty) Ltd
Managed care: health service provider (risk transfer arrangements have been listed in this section)	NetCare 911 Center for Diabetes and Endocrinology ("CDE")	AngloGold Ashanti Center for Diabetes and Endocrinology ("CDE") Iso Leso Dischem Clicks Dental Risk Company ("DRC")
Managed care: management service provider	Discovery Health (Pty) Ltd	Discovery Health (Pty) Ltd
Actuarial services	Discovery Health (Pty) Ltd	Discovery Health (Pty) Ltd Insight Actuaries and Consultants
Distribution channels	Not applicable (Restricted scheme)	Corporate business and brokers
Investment managers	<ul style="list-style-type: none"> • Stanlib Asset Management Ltd • Momentum Group Ltd • The Standard Bank of South Africa Ltd • Coronation Fund Managers • Huysamer Capital Investments (Pty) Ltd 	<p>RisCura Solutions Proprietary Limited ("RisCura") is the asset consultant.</p> <p>The Investment Managers are as follows:</p> <ul style="list-style-type: none"> • Liberty Corporate, a division of Liberty Group Limited • Mazi Asset Management • Aluwani Capital Partners • Taquanta Asset Managers • Futuregrowth Asset Management • Investec Asset Management • Allan Gray Proprietary Limited • Abax Investments Proprietary Limited • Fairtree Capital • Sesfikile Capital • Stanlib Asset Management
Auditors	KPMG	PriceWaterhouseCoopers

Both WitsMed and DHMS use the same administrator and managed care provider. This will significantly reduce disruption to members during the transfer.

2.1.3 Organogram of the administrator and managed care provider



2.1.4 Demographic Indicators

The table below shows the membership profile of both schemes as at 30 June 2017.

	WitsMed	DHMS
Number of principal members	2,621	1,311,126
Number of beneficiaries	4,969	2,757,612
Average family size	1.90	2.10
Average age of beneficiaries	44.81	34.36
Pensioner ratio (65+ years)	23.7%	9.14%
% chronic patients	38.8%	23.3%

The table below shows the WitsMed membership distribution by income band as at 30 June 2017.

Income Band	Number of Principal Members	Proportion of Membership
0 – 915	262	10.0%
916 - 1,775	20	0.8%
1,776 - 2,745	35	1.3%
2,746 - 3,610	44	1.7%
3,611 - 4,470	25	1.0%
4,471 - 5,385	44	1.7%
5,386 - 6,245	38	1.4%
6,246 - 9,123	62	2.4%
9,124 - 10,225	28	1.1%
10,226 - 11,392	40	1.5%
11,393 - 12,560	36	1.4%
12,561 - 13,655	25	1.0%
13,656 - 14,756	42	1.6%
14,757 - 15,923	41	1.6%
15,924 - 17,019	27	1.0%
17,020 - 18,259	44	1.7%
18,260 - 19,355	36	1.4%
19,356 - 20,450	37	1.4%
20,451 - 21,623	43	1.6%
21,624 - 22,719	50	1.9%
22,720 - 24,761	83	3.2%
24,762 - 27,310	78	3.0%
27,311 - 44,604	462	17.6%
44,605+	1,019	38.9%
Total	2,621	100.0%

The following table shows DHMS's membership profile per option as at 30 June 2017:

Option	Number of principal members	Number of beneficiaries	Average family size	Average age of beneficiaries	Pensioner ratio (65+ years)	% chronic patients
KeyCare Core	13,996	22,212	1.59	34.96	11.1%	12.2%
KeyCare Access	4,676	6,701	1.43	31.59	5.5%	11.9%
KeyCare Plus	229,665	401,310	1.75	29.14	6.0%	17.8%
Coastal Core	83,705	186,556	2.23	37.73	11.9%	20.4%
Essential Core	22,273	49,418	2.22	36.79	11.3%	17.3%
Essential Delta Core	16,077	32,189	2	33.92	6.5%	13.2%
Classic Core	42,228	93,682	2.22	39.38	15.0%	20.0%
Classic Delta Core	8,447	15,735	1.86	36.82	10.0%	15.5%
Classic Smart	19,064	35,943	1.89	30.26	3.4%	13.8%
Essential Smart	8,260	9,713	1.18	33.88	4.1%	11.2%
Coastal Saver	184,639	418,877	2.27	33.8	7.3%	24.1%
Essential Saver	68,615	149,528	2.18	31.11	5.7%	17.1%
Essential Delta Saver	45,863	90,051	1.96	28.64	3.0%	12.7%
Classic Saver	219,567	489,303	2.23	32.93	7.0%	21.6%
Classic Delta Saver	67,569	138,800	2.05	30.73	4.8%	17.3%
Classic Priority	94,900	215,365	2.27	37.12	11.3%	29.1%
Essential Priority	6,966	14,548	2.09	36.49	11.6%	26.3%
Essential Comprehensive	15,823	30,585	1.93	46.39	27.4%	46.2%
Essential Delta Comprehensive	1,101	2,209	2.01	37.39	12.0%	39.7%
Classic Comprehensive	141,833	320,266	2.26	40.91	16.8%	39.5%
Classic Delta Comprehensive	4,378	9,495	2.17	39.26	14.7%	38.9%
Classic Comprehensive Zero MSA	882	1,929	2.19	39.33	12.9%	32.4%
Executive Plan	10,599	23,197	2.19	43.62	21.4%	41.9%

2.1.5 Description of benefit options

WitsMed

- *Standard option*
 - Overall annual limit of R 3,000,000 per family
 - Private hospital cover at 200% of the scheme rate
 - Day-to-day benefits paid from risk subject to benefit specific sub-limits
 - Cover for 27 PMB chronic conditions

DHMS

- **Executive Plan**
 - Unlimited private hospital cover, including private ward cover
 - Full cover in hospital for specialists on a payment arrangement, and up to 300% of the Discovery Health Rate for other healthcare professionals
 - 25% Medical Savings Account and an unlimited Above Threshold Benefit
 - Full cover for chronic medicine for all 27 Chronic Disease List conditions. Plus cover for some additional chronic conditions
- **Classic Comprehensive**
 - Unlimited private hospital cover
 - Full cover in hospital for specialists on a payment arrangement, and up to 200% of the Discovery Health Rate for other healthcare professionals
 - 25% Medical Savings Account and an unlimited Above Threshold Benefit
 - Full cover for chronic medicine for all 27 Chronic Disease List conditions. Plus cover for some additional chronic conditions
- **Classic Comprehensive Zero MSA**
 - Unlimited private hospital cover
 - Full cover in hospital for specialists on a payment arrangement, and up to 200% of the Discovery Health Rate for other healthcare professionals
 - No Medical Savings Account
 - Unlimited Above Threshold Benefit
 - Full cover for chronic medicine for all 27 Chronic Disease List conditions. Plus cover for some additional chronic conditions
- **Essential Comprehensive**
 - Unlimited private hospital cover
 - Full cover in hospital for specialists on a payment arrangement, and up to 100% of the Discovery Health Rate for other healthcare professionals
 - 15% Medical Savings Account and an unlimited Above Threshold Benefit
 - Full cover for chronic medicine for all 27 Chronic Disease List conditions. Plus cover for some additional chronic conditions
- **Classic Priority**
 - Unlimited private hospital cover
 - Full cover in hospital for specialists on a payment arrangement, and up to 200% of the Discovery Health Rate for other healthcare professionals
 - 25% Medical Savings Account and a limited Above Threshold Benefit
 - Full cover for chronic medicine for all 27 Chronic Disease List conditions

- **Essential Priority**
 - Unlimited private hospital cover
 - Full cover in hospital for specialists on a payment arrangement, and up to 100% of the Discovery Health Rate for other healthcare professionals
 - 15% Medical Savings Account and a limited Above Threshold Benefit
 - Full cover for chronic medicine for all 27 Chronic Disease List conditions
- **Classic Saver**
 - Unlimited private hospital cover
 - Full cover in hospital for specialists on a payment arrangement, and up to 200% of the Discovery Health Rate for other healthcare professionals
 - 25% Medical Savings Account
 - Full cover for chronic medicine for all 27 Chronic Disease List conditions
- **Essential Saver**
 - Unlimited private hospital cover
 - Full cover in hospital for specialists on a payment arrangement, and up to 100% of the Discovery Health Rate for other healthcare professionals
 - 15% Medical Savings Account
 - Full cover for chronic medicine for all 27 Chronic Disease List conditions
- **Coastal Saver**
 - Unlimited private hospital cover at selected private hospitals in the four coastal provinces
 - Full cover in hospital for specialists on a payment arrangement, and up to 100% of the Discovery Health Rate for other healthcare professionals
 - 20% Medical Savings Account
 - Full cover for chronic medicine for all 27 Chronic Disease List conditions
- **Classic Core**
 - Unlimited private hospital cover
 - Full cover in hospital for specialists on a payment arrangement, and up to 200% of the Discovery Health Rate for other healthcare professionals
 - No Medical Savings Account
 - Cover for chronic medicine for all 27 Chronic Disease List conditions.
- **Essential Core**
 - Unlimited private hospital cover
 - Full cover in hospital for specialists on a payment arrangement, and up to 100% of the Discovery Health Rate for other healthcare professionals
 - No Medical Savings Account
 - Cover for chronic medicine for all 27 Chronic Disease List conditions.
- **Coastal Core**
 - Unlimited private hospital cover at hospitals in the four coastal provinces
 - Full cover in hospital for specialists on a payment arrangement, and up to 100% of the Discovery Health Rate for other healthcare professionals
 - No Medical Savings Account
 - Cover for chronic medicine for all 27 Chronic Disease List conditions.

- **Classic Smart**
 - Unlimited private hospital cover at the Smart Hospital Network
 - Full cover in hospital for specialists on a payment arrangement, and up to 200% of the Discovery Health Rate for other healthcare professionals
 - Day-to-day cover for GP consultations, acute medicine, eye and dental check-ups and sports-related injuries, with fixed co-payments
 - Cover for chronic medicine for all 27 Chronic Disease List conditions
- **Essential Smart**
 - Unlimited private hospital cover at the Smart Hospital Network
 - Full cover in hospital for specialists on a payment arrangement, and up to 100% of the Discovery Health Rate for other healthcare professionals
 - Day-to-day cover for GP consultations, eye and dental check-ups, with fixed co-payments
 - Cover for chronic medicine for all 27 Chronic Disease List conditions
- **KeyCare Plus**
 - Unlimited private hospital cover at a KeyCare Network Hospital
 - Full cover in hospital for specialists on the KeyCare network, and up to 100% of the Discovery Health Rate for other healthcare professionals
 - Unlimited day-to-day cover through member's chosen network doctor and day-to-day medicine from the medicine list. Covers basic dentistry, optometry, radiology and pathology at selected network providers. Plus an antenatal, specialist and casualty benefit.
 - Essential cover for chronic medicine on the KeyCare medicine list for all 27 Chronic Disease List conditions
- **KeyCare Access**
 - Unlimited private hospital cover for emergencies, trauma, childbirth and care of newborn babies in the KeyCare Access network of private hospitals.
 - Other conditions are covered in a contracted network of state facilities
 - Unlimited day-to-day cover through member's chosen network doctor and day-to-day medicine from the medicine list. Covers basic dentistry, optometry, radiology and pathology at selected network providers. Plus an antenatal, specialist and casualty benefit.
 - Essential cover for chronic medicine on the KeyCare medicine list for all 27 Chronic Disease List conditions
- **KeyCare Core**
 - Unlimited private hospital cover at a KeyCare Network Hospital
 - Full cover in hospital for specialists on the KeyCare network, and up to 100% of the Discovery Health Rate for other healthcare professionals
 - Day-to-day antenatal and specialist benefit
 - Essential cover for chronic medicine on the KeyCare medicine list for all 27 Chronic Disease List conditions
- **Delta Network Plan Options**
 - For members on the Comprehensive, Saver and Core series only
 - Members pay reduced contributions for using the Delta Hospital Network for planned in-hospital procedures

2.1.6 Financial Indicators

The table below provides an overview of the important financial indicators of the two schemes. The data is based on the 2016 audited Annual Financial Statements.

	WitsMed	DHMS
	R'000	R'000
Gross contribution income	146,911	54,056,212
Savings account contributions	0	10,429,814
Net contribution income	146,911	43,626,398
Relevant healthcare expenditure	-142,456	-38,035,898
Gross healthcare result	4,455	5,590,500
Administration expenses	-6,460	-4,150,194
Broker service fees	0	-1,101,648
Other operating expenses	-1,369	-236,206
Net healthcare result	-3,373	102,452
Other income (including investment income)	11,182	1,524,116
Other expenditure	-526	-321,118
Net surplus (deficit) for the year	7,283	1,305,450
Other comprehensive income (loss)	-4,830	0
Total comprehensive income	2,452	1,305,450
Accumulated funds per Regulation 29	132,820	14,234,461
Solvency ratio	90.41%	26.33%

The following table shows the same indicators for the year to date 30 June 2017 (unaudited), according to the latest available figures:

	WitsMed	DHMS
	R'000	R'000
Gross contribution income	77,612	29,846,496
Savings account contributions	0	5,523,448
Net contribution income	77,612	24,323,048
Relevant healthcare expenditure	-77,635	-20,180,249
Gross healthcare result	-23	4,142,799
Administration expenses	-3,279	-2,248,093
Broker service fees	0	-604,422
Other operating expenses	-779	-140,907
Net healthcare result	-4,082	1,149,377
Other income (including investment income)	5,238	751,967
Other expenditure	-238	-217,931
Net surplus (deficit) for the year	918	1,683,413
Other comprehensive income (loss)	-1,054	0
Total comprehensive income	-136	1,683,413
Accumulated funds per Regulation 29	134,782	15,917,875
Solvency ratio	87.16%	26.67%

2.1.7 Disclosures of interest

As far as the parties are aware, no trustee of either scheme has an interest in the administrator or any managed healthcare organisation mentioned above.

2.1.8 Termination of contracts

With regard to WitsMed, all third party provider contracts, excluding the external auditors, may be terminated by either party on a ninety days' written notice of termination. No penalties will be applicable.

In the case of KPMG, WitsMed has notified the provider of its intention to amalgamate effective 1 January 2018. KPMG will remain responsible for completing the final audit and statutory returns for 2017.

2.2 Details of DHMS post amalgamation

2.2.1 General information

Full name	Discovery Health Medical Scheme
Effective amalgamation date	1 January 2018
Physical address	16 Fredman Drive, Sandton, 2146
Postal address	P.O. Box 786722, Sandton, 2146

2.2.2 Principal Officer

The principal officer of the amalgamated scheme will be the current Principal Officer of DHMS:

Name	Dr Nozipho Sangweni
Physical address	16 Fredman Drive, Sandton, 2146
Postal address	P O Box 768722, Sandton, 2146

2.2.3 Board of Trustees

The WitsMed Board of Trustees will be disbanded post amalgamation with DHMS other than for the finalisation and approval of the 2017 annual financial statements and the 2017 final reports to the Council for Medical Schemes. The board of trustees of the amalgamated scheme will comprise of the current DHMS board of trustees as follows:

Trustee	Physical address	Postal address
Neil Morrison – Chair * (Elected on 23 June 2016)	16 Fredman Drive, Sandton, 2146	P O Box 768722, Sandton, 2146
Daisy Naidoo (Re-elected 23 June 2016)	16 Fredman Drive, Sandton, 2146	P O Box 768722, Sandton, 2146
Dave King (Elected 23 June 2016)	16 Fredman Drive, Sandton, 2146	P O Box 768722, Sandton, 2146
Dr Dhesan Moodley (Elected 23 June 2016)	16 Fredman Drive, Sandton, 2146	P O Box 768722, Sandton, 2146
John Butler, SC (Appointed 14 June 2017)	16 Fredman Drive, Sandton, 2146	P O Box 768722, Sandton, 2146
Dr Susette Brynard (Elected 22 June 2017)	16 Fredman Drive, Sandton, 2146	P O Box 768722, Sandton, 2146
Joan Adams (Elected 22 June 2017)	16 Fredman Drive, Sandton, 2146	P O Box 768722, Sandton, 2146
Johan Human (Appointed 14 August 2017)	16 Fredman Drive, Sandton, 2146	P O Box 768722, Sandton, 2146

* Appointed as Chair with effect from 14 August 2017 after the term of Mike Van Der Nest expired

2.2.4 Administrator and managed care provider

Name	Discovery Health (Pty) Limited
Physical address	16 Fredman Drive, Sandton, 2146
Postal address	P O Box 768722, Sandton, 2146

2.2.5 Auditors

Name	PricewaterhouseCoopers
Physical address	2 Eglin Road, Sunninghill, 2157
Postal address	Private Bag X36, Sunninghill, 2157

2.2.6 Actuaries

Name	Discovery Health (Pty) Limited Insight Actuaries and Consultants as independent actuaries to DHMS (400 16 th Road, Randjespark, Midrand)
Physical address	16 Fredman Drive, Sandton, 2146
Postal address	P O Box 768722, Sandton, 2146

2.2.7 Investment Managers

Name	<p>RisCura Solutions Proprietary Limited ("RisCura") is the asset consultant and their contact details are listed. The Investment Managers are listed below and their details can be provided on request:</p> <ul style="list-style-type: none">• Liberty Corporate, a division of Liberty Group Limited• Mazi Asset Management• Aluwani Capital Partners• Taquanta Asset Managers• Futuregrowth Asset Management• Investec Asset Management• Allan Gray Proprietary Limited• Abax Investments Proprietary Limited• Fairtree Capital• Sefikile Capital• Stanlib Asset Management
Physical address	RisCura - 5th Floor, Montclare Place, Corner Campground and Main Road, Claremont, 7735
Postal address	RisCura - P O Box 23983, Claremont, 7735

2.2.8 Summary of membership profile post amalgamation

Number of principal members	1,313,747
Number of beneficiaries	2,762,581
Family size	2.10
Average age of beneficiaries	34.36
Pensioner ratio (65+ years)	9.1%
% chronic patients	23.3%

2.2.10 Registered rules

The current 2017 DHMS rules will apply until the 2018 rules are approved by the CMS. The 2018 DHMS rules are due to be presented to the CMS for approval in September 2017 as part of the year-end processes and CMS requirements.

2.2.11 Mission and objectives

DHMS will focus on the following key strategic objectives during 2018:

- Lowest healthcare costs.
- Superior quality of care for members.
- Personalised, predictive, preventative approach.
- Withstanding unpredictable market conditions.
- Member centric servicing.
- Best practice outsourcing.
- Excellent governance and regulatory response.

2.2.12 Personnel strategy

WitsMed does not have any employees aside from the Principal Officer, and so there is no requirement for a personnel strategy. The WitsMed Principal Officer's term will end with the dissolution of the Board of Trustees of WitsMed following the approval of the WitsMed 2017 annual financial statements.

2.2.13 Terms and conditions of DHMS's amalgamation offer

A summary of the terms and conditions of the DHMS amalgamation offer are set out below:

- The amalgamation is to take place no later than 1 January 2018. In the case that this date is postponed, the proposed merger would need to be re-evaluated.
- The full reserves of WitsMed (i.e. assets minus liabilities including any unrealised gains) must be transferred to DHMS on the date of the merger. If the projected reserves reduces to below R140 million (including unrealised gains) DHMS may reconsider the amalgamation.
- All WitsMed beneficiaries who have not selected an option by 8 December 2017 will be defaulted as per default mapping as set out in Section 2.2.14 below.
- WitsMed members can select a DHMS option other than the default option or may change their choices of options for a period of up to three months after the amalgamation date.

- WitsMed members who join DHMS on 1 January 2018 will be accepted by DHMS without any underwriting. WitsMed members who do not join DHMS by 1 January 2018 will be subject to underwriting if they decide to join at a later date. For new employees of the University of the Witwatersrand, there will be a three month window period from the start date of employment to join DHMS without underwriting, but any new employees joining DHMS after the three month window period will be subject to underwriting.
- The existing late joiner penalties and waiting periods (general and condition-specific) of members will be transferred to DHMS and applied.
- The amalgamation is subject to approval by the Board of Trustees of each scheme, which approval has been obtained. The Amalgamation is also subject to approval by vote at a Special General Meeting of DHMS members as well as the approval thereof by WitsMed members in terms of their rules. The proposed amalgamation must be approved by the Council for Medical Schemes in terms of Section 63 of the Medical Schemes Act 131 of 1998 and the approval of the transaction is also required by the Competition Commission.
- Each scheme will bear its own costs for the amalgamation.
- The costs for the Competition Commission submission are to be shared equally.

Full details regarding DHMS's amalgamation offer are included as Annexure C.

2.2.14 Benefit options

DHMS will allocate a default option to all WitsMed members at the time of joining DHMS. The intended default options are:

Income Band	Discovery Option Mappings by Family Structure			
	P	PA	PC	PAC
R 0 - R 915	KeyCare Plus	KeyCare Plus	KeyCare Plus	KeyCare Plus
R 916 - R 1775	KeyCare Plus	KeyCare Plus	KeyCare Plus	KeyCare Plus
R 1776 - R 2745	KeyCare Plus	KeyCare Plus	KeyCare Plus	KeyCare Plus
R 2746 - R 3610	KeyCare Plus	KeyCare Plus	KeyCare Plus	KeyCare Plus
R 3611 - R 4470	Classic Delta Saver	KeyCare Plus	KeyCare Plus	KeyCare Plus
R 4471 - R 5385	Classic Saver	Classic Delta Saver	Classic Delta Saver	Classic Delta Saver
R 5386 - R 6245	Classic Saver	Classic Delta Saver	Classic Delta Saver	Classic Delta Saver
R 6246 - R 9123	Classic Priority	Classic Saver	Classic Saver	Classic Saver
R 9124 - R 10225	Classic Priority	Classic Saver	Classic Saver	Classic Saver
R 10226 - R 11392	Classic Priority	Classic Priority	Classic Saver	Classic Saver
R 11393 - R 12560	Classic Priority	Classic Priority	Classic Saver	Classic Saver
R 12561 - R 13655	Classic Priority	Classic Priority	Classic Priority	Classic Priority
R 13656 - R 14756	Classic Priority	Classic Priority	Classic Priority	Classic Priority
R 14757 - R 15923	Classic Priority	Classic Priority	Classic Priority	Classic Priority
R 15924 - R 17019	Classic Priority	Classic Priority	Classic Priority	Classic Priority
R 17020 - R 18259	Classic Priority	Classic Priority	Classic Priority	Classic Priority
R 18260 - R 19355	Classic Delta Comprehensive	Classic Priority	Classic Priority	Classic Priority
R 19356 - R 20450	Classic Delta Comprehensive	Classic Priority	Classic Priority	Classic Priority
R 20451 - R 21623	Classic Delta Comprehensive	Classic Priority	Classic Priority	Classic Priority
R 21624 - R 22719	Classic Delta Comprehensive	Classic Priority	Classic Priority	Classic Priority
R 22720 - R 24761	Classic Delta Comprehensive	Classic Priority	Classic Priority	Classic Priority
R 24762 - R 27310	Classic Comprehensive	Classic Priority	Classic Priority	Classic Priority
R 27311 - R 44604	Classic Comprehensive	Classic Priority	Classic Priority	Classic Priority
R 44605 +	Classic Comprehensive	Classic Delta Comprehensive	Classic Comprehensive	Classic Delta Comprehensive

DHMS will allow members to elect specific benefit options other than the agreed default options for a period of up to three months after the date of the amalgamation. Members will also be able to re-select their option at the end of each financial year. Members who have conditions specified on the Additional Disease List (ADL), Members who have claimed more than R190, 000 on Oncology in the last year and members who are registered with GDE will be mapped to Classic Comprehensive. Pensioners receiving a subsidy from the University will be upgraded to one plan higher.

3 STRATEGY AND IMPLEMENTATION

3.1 SWOT analysis for WitsMed

3.1.1 Strength and opportunities

- WitsMed members will be transferring to a significantly larger, more stable medical scheme with reduced claims and contribution volatility.
- DHMS offers a very wide range of benefit options which provides WitsMed members with greater choice in selecting benefit options to meet their healthcare needs and affordability.
- WitsMed members will not experience any significant change in the administration of their medical benefits as the operations platform will remain the same.
- The benefit option mapping of WitsMed members will be relatively easy given that DHMS offers benefit options which are similar in design and benefit coverage to the WitsMed options. This will provide a seamless crosswalk especially for members with registered chronic illness conditions, including diabetes, HIV and Aids and oncology.
- WitsMed lower income members will benefit from income rated contributions on the DHMS KeyCare series of plans, designed to make medical scheme cover more accessible and affordable.
- WitsMed members who join DHMS on 01 January 2018 will be accepted by DHMS without any underwriting. WitsMed members who do not join DHMS by 01 January 2018 will be subject to underwriting if they decide to join at a later date. For new employees of the University of the Witwatersrand, there will be a three month window period from the start date of employment to join DHMS without underwriting, but any new employees joining DHMS after the three month window period will be subject to underwriting.
- The existing late joiner penalties and waiting periods (general and condition-specific) of members will be transferred to DHMS and applied.
- DHMS's extensive data analytics and effective risk management strategies and principles will facilitate competitive negotiation with provider groups.
- Members benefit from comprehensive coverage in provider networks, controlled tariffs and reduced co-payments.

3.1.2 Weakness and threats

- The WitsMed Board of Trustees will no longer exist once WitsMed has transferred to DHMS.
- WitsMed members will have to adjust to the transition from a traditional benefit structure to the savings based benefit structure of DHMS, where benefit plans with medical scheme savings accounts are selected. Although DHMS options may not provide an exact match of the benefits currently offered by WitsMed, members will now have a wider choice of options to suit their healthcare needs and affordability levels. Medical scheme brokers will be appointed by University of the Witwatersrand to ensure that members understand the new benefit structure and to ensure members have access to adequate advice in selecting suitable benefit options on DHMS.
- WitsMed members will no longer have access to the WitsMed *ex-gratia* fund once the transfer to DHMS takes place. This statement is made in the context of the move from a restricted to an open medical scheme and in this regard DHMS also has a robust *ex-gratia* process.

3.2 SWOT analysis for DHMS

3.2.1 Strength and opportunities

- DHMS will experience membership growth with the transfer of the WitsMed members.
- DHMS will receive a contribution to reserves estimated to be at least R140 million on completion of the amalgamation process. Thus there will be no pressure on the DHMS solvency due to the take-on of the WitsMed members.
- Following the transfer of WitsMed members to DHMS, the University of the Witwatersrand is likely to offer DHMS as one of the approved schemes to its current employees. This creates potential for further membership growth for DHMS through attracting young and healthy members.
- DHMS will face minimal administrative disruptions following the amalgamation as DHMS and WitsMed share the same administrator, which will facilitate a seamless transfer of members.

3.2.2 Weakness and threats

- The WitsMed membership transferring to DHMS has a poorer risk profile than that of DHMS. However, the membership transferring is small relative to the current size of the DHMS membership base and so will have a minimal impact on the overall profile of DHMS following the amalgamation.
- There is a risk that not all WitsMed members will choose to remain on DHMS following the amalgamation and that DHMS will be left with a worse risk profile of members who transfer. However in most cases the transfer of the reserves to DHMS will be sufficient to mitigate this risk.
- The reserves of WitsMed may reduce in the period up to 1 January 2018 and DHMS may receive a lower transfer of funds than the current level of WitsMed reserves.

4 MARKET ANALYSIS

This market analysis is based on the expected movement of WitsMed members according to the contributions payable on each plan. This is different to the default options identified in Section 2.2.14 which defaults members to options of a similar benefit level. Defaults will only be applied should members not indicate their choice of DHMS option before the given deadline.

The membership on WitsMed is relatively small when compared to DHMS, and hence the financial sustainability of any DHMS option is not expected to be negatively impacted.

A detailed analysis based on appropriate option mapping will be performed prior to transfer date to assist members in making informed choices of benefit options.

4.1 Membership Movement (Based on 30 June 2017 membership)

	Before amalgamation		After amalgamation
	WitsMed Members	DHMS	DHMS
	Moving to KeyCare Plus	KeyCare Plus	KeyCare Plus
Number of Members	291	229,665	229,956
Number of Beneficiaries	375	401,310	401,685
Average Family Size	1.29	1.75	1.75
Average Age of beneficiaries	78.1	29.14	29.19
Pensioner Ratio	94.4%	6.0%	6.1%
Chronic Prevalence of beneficiaries	70.9%	17.8%	17.8%

	Before amalgamation		After amalgamation
	WitsMed Members	DHMS	DHMS
	Moving to Classic Comprehensive	Classic Comprehensive	Classic Comprehensive
Number of Members	700	141,833	142,533
Number of Beneficiaries	1,160	320,266	321,426
Average Family Size	1.66	2.26	2.26
Average Age of beneficiaries	51.09	40.91	40.95
Pensioner Ratio	24.1%	16.8%	16.8%
Chronic Prevalence of beneficiaries	54.1%	39.5%	39.6%

	Before amalgamation		After amalgamation
	WitsMed Members	DHMS	DHMS
	Moving to Classic Delta Comprehensive	Classic Delta Comprehensive	Classic Delta Comprehensive
Number of Members	60	4,378	4,438
Number of Beneficiaries	60	9,495	9,555
Average Family Size	1.00	2.17	2.15
Average Age of beneficiaries	60.08	39.26	39.39
Pensioner Ratio	33.3%	14.7%	14.8%
Chronic Prevalence of beneficiaries	61.7%	38.9%	39.0%

	Before amalgamation		After amalgamation
	WitsMed Members	DHMS	DHMS
	Moving to Classic Delta Saver	Classic Delta Saver	Classic Delta Saver
Number of Members	41	67,569	67,610
Number of Beneficiaries	79	138,800	138,879
Average Family Size	1.93	2.05	2.05
Average Age of beneficiaries	65.32	30.73	30.75
Pensioner Ratio	74.7%	4.8%	4.8%
Chronic Prevalence of beneficiaries	64.6%	17.3%	17.3%

	Before amalgamation		After amalgamation
	WitsMed Members	DHMS	DHMS
	Moving to Classic Priority	Classic Priority	Classic Priority
Number of Members	661	94,900	95,561
Number of Beneficiaries	1,636	215,365	217,001
Average Family Size	2.48	2.27	2.27
Average Age of beneficiaries	46.43	37.12	37.19
Pensioner Ratio	22.3%	11.3%	11.4%
Chronic Prevalence of beneficiaries	38.5%	29.1%	29.2%

	Before amalgamation		After amalgamation
	WitsMed Members	DHMS	DHMS
	Moving to Classic Saver	Classic Saver	Classic Saver
Number of Members	868	219,567	220,435
Number of Beneficiaries	1,659	489,303	490,962
Average Family Size	1.91	2.23	2.23
Average Age of beneficiaries	29.77	32.93	32.92
Pensioner Ratio	6.0%	7.0%	7.0%
Chronic Prevalence of beneficiaries	19.0%	21.6%	21.6%

4.2 Sensitivity Analysis of Membership Movement

The tables below show a comparison of the likely impact to each DHMS option under the following scenarios:

- Central Scenario: all WitsMed members move to default options
- Scenario 1: all WitsMed members move to one option higher than their default option
- Scenario 2: all WitsMed members move to one option lower than their default option

There is a minimal impact to the membership profile of each DHMS option due to the relative size of DHMS compared to WitsMed. Thus, DHMS is confident that no mitigating measures need to be put in place to ensure the assumed option selection is realised on 1 January 2018.

Central Scenario: all members move to default options

Central Scenario	KeyCare Plus	Classic Delta Saver	Classic Saver	Classic Priority	Classic Delta Comprehensive	Classic Comprehensive
Number of Members	229,956	67,610	220,435	95,561	4,438	142,533
Number of Beneficiaries	401,685	138,879	490,962	217,001	9,555	321,426
Average Age of beneficiaries	29.19	30.75	32.92	37.19	39.39	40.95
Pensioner Ratio	6.1%	4.8%	7.0%	11.4%	14.8%	16.8%
Average Family Size	1.75	2.05	2.23	2.27	2.15	2.26
Chronic Prevalence of Beneficiaries	17.8%	17.3%	21.6%	29.2%	39.0%	39.6%

Scenario 1: all members move to one option higher than their default option

Scenario 1	KeyCare Plus	Classic Delta Saver	Classic Saver	Classic Priority	Classic Delta Comprehensive	Classic Comprehensive
Number of Members	229,665	67,860	219,608	95,768	5,039	142,593
Number of Beneficiaries	401,310	139,175	489,382	217,024	11,131	321,486
Average Age of beneficiaries	29.14	30.86	32.94	37.06	40.31	40.95
Pensioner Ratio	6.0%	5.0%	7.0%	11.3%	15.8%	16.8%
Average Family Size	1.75	2.05	2.23	2.27	2.21	2.25
Chronic Prevalence of Beneficiaries	17.8%	17.4%	21.6%	29.0%	38.8%	39.6%

Scenario 2: all members move to one option lower than their default option

Scenario 2	KeyCare Plus	Classic Delta Saver	Classic Saver	Classic Priority	Classic Delta Comprehensive	Classic Comprehensive
Number of Members	229,997	68,437	220,228	94,960	5,078	141,833
Number of Beneficiaries	401,764	140,459	490,939	215,425	10,655	320,266
Average Age of beneficiaries	29.19	30.72	32.97	37.13	40.55	40.91
Pensioner Ratio	6.1%	4.8%	7.1%	11.3%	15.7%	16.8%
Average Family Size	1.75	2.05	2.23	2.27	2.10	2.26
Chronic Prevalence of Beneficiaries	17.9%	17.3%	21.7%	29.1%	40.6%	39.5%

4.3 Distribution of principal members by province (30 June 2017) - DHMS

The table below provides an indication of the distribution of the principal members of DHMS by province as at 30 June 2017.

Distribution of Principal Members on DHMS	Number of principal members	% of Principal Members
Gauteng	610,610	46%
Limpopo	24,805	2%
Mpumalanga	42,375	3%
North West	45,955	4%
Free State	36,455	3%
Kwa-Zulu Natal	193,635	15%
Western Cape	273,722	21%
Eastern Cape	68,302	5%
Northern Cape	15,267	1%
Outside the Republic	-	0%
Total	1,311,126	100%

4.4 Communication Strategy - WitsMed

WitsMed members will be given a clear and detailed communication on the proposed amalgamation with DHMS. To this end, WitsMed will be undertaking the following member communication exercises:

- WitsMed members will be sent a communication pack which will include:
 - reasons for amalgamation;
 - an explanation of the amalgamation process;
 - an explanation of the proposed default DHMS benefit options;
 - the voting process; and
 - the ballot form.
- Invitation to attend regional roadshows relating to the amalgamation.
- Access to the full combined business plan at the offices of the Registrar and at the office of the respective Schemes.
- Publication of the proposed amalgamation in the Government Gazette and other leading national newspapers.
- Access to a call centre where call centre agents will have undergone training on the potential questions members may have regarding the proposed amalgamation.
- WitsMed members will be advised of Competition Commission approval and final approval from the Council for Medical Schemes prior to the transfer date.

A proposed project plan for the proposed amalgamation is included as Annexure E.

4.5 Communication Strategy - DHMS

The rules of DHMS require that a Special General Meeting ("SGM") of members be called in order for members to decide by ballot at the meeting whether the proposed amalgamation should be proceeded with or not.

To this end the Board of DHMS has by resolution resolved that an SGM be called on 7 September 2017.

The following communication has been forwarded to members:

- A notice of the SGM was dispatched to members via post and e-mail between 15 to 17 August 2017. Attached to the notice were details of the proposed amalgamation which set out the conditions of the amalgamation between the DHMS and WitsMed as at 2 August 2017.
- Further details of the exposition would be published on the website as soon as the exposition document was approved by the Trustees, which has been indicated to members on the SGM notice on the webpage.
- DHMS will follow the regulatory approval processes as required by the CMS and Competition Commission as set out in the paragraph above.

5 CONTRIBUTIONS

The tables below show the 2017 contribution rates for the WitsMed options (Standard and Network) and the DHMS default options as proposed by DHMS as part of the terms and conditions of the amalgamation.

It is not expected that DHMS will be required to change the contributions on its options as a result of this amalgamation.

WitsMed Income Band	Standard Option			Network Option		
	Principal	Adult	Child	Principal	Adult	Child
R 0 - R 915	R 774	R 432	R 188	R 658	R 367	R 160
R 916 - R 1,775	R 945	R 523	R 228	R 776	R 428	R 187
R 1,776 - R 2,745	R 1,191	R 669	R 288	R 953	R 535	R 230
R 2,746 - R 3,610	R 1,567	R 884	R 366	R 1,019	R 574	R 238
R 3,611 - R 4,470	R 1,936	R 1,084	R 456	R 1,161	R 650	R 273
R 4,471 - R 5,385	R 2,314	R 1,296	R 556	R 1,204	R 674	R 289
R 5,386 - R 6,245	R 2,593	R 1,454	R 616	R 1,245	R 698	R 296
R 6,246 - R 9,123	R 2,893	R 1,631	R 690	R 1,302	R 733	R 311
R 9,124 - R 10,225	R 3,058	R 1,723	R 724	R 1,377	R 775	R 326
R 10,226 - R 11,392	R 3,139	R 1,765	R 752	R 1,412	R 794	R 339
R 11,393 - R 12,560	R 3,222	R 1,813	R 771	R 1,449	R 816	R 347
R 12,561 - R 13,655	R 3,304	R 1,856	R 784	R 1,487	R 835	R 353
R 13,656 - R 14,756	R 3,386	R 1,905	R 812	R 1,523	R 858	R 366
R 14,757 - R 15,923	R 3,468	R 1,947	R 825	R 1,560	R 876	R 372
R 15,924 - R 17,019	R 3,551	R 2,002	R 846	R 1,953	R 1,101	R 465
R 17,020 - R 18,259	R 3,632	R 2,044	R 865	R 2,361	R 1,328	R 562
R 18,260 - R 19,355	R 3,709	R 2,094	R 892	R 2,782	R 1,570	R 669
R 19,356 - R 20,450	R 3,791	R 2,136	R 906	R 2,938	R 1,656	R 702
R 20,451 - R 21,623	R 3,873	R 2,185	R 932	R 3,099	R 1,747	R 745
R 21,624 - R 22,719	R 3,956	R 2,228	R 945	R 3,263	R 1,838	R 780
R 22,720 - R 24,761	R 4,037	R 2,270	R 959	R 3,431	R 1,929	R 815
R 24,762 - R 27,310	R 4,120	R 2,318	R 993	R 3,556	R 2,000	R 857
R 27,311 - R 44,604	R 4,261	R 2,391	R 1,019	R 3,775	R 2,118	R 903
R 44,605 +	R 4,325	R 2,428	R 1,033	R 3,893	R 2,185	R 930

Option	Discovery Health Medical Scheme		
	Principal	Adult	Child
Classic Comprehensive			
Risk Contribution	R 3,380	R 3,198	R 674
Savings Contribution	R 1,126	R 1,066	R 224
Total Contribution	R 4,506	R 4,264	R 898
Classic Delta Comprehensive			
Risk Contribution	R 3,045	R 2,882	R 606
Savings Contribution	R 1,014	R 960	R 201
Total Contribution	R 4,059	R 3,842	R 807
Classic Priority			
Risk Contribution	R 2,226	R 1,753	R 891
Savings Contribution	R 742	R 584	R 296
Total Contribution	R 2,968	R 2,337	R 1,187
Classic Saver			
Risk Contribution	R 1,933	R 1,522	R 774
Savings Contribution	R 644	R 507	R 257
Total Contribution	R 2,577	R 2,029	R 1,031
Classic Delta Saver			
Risk Contribution	R 1,544	R 1,218	R 620
Savings Contribution	R 514	R 405	R 206
Total Contribution	R 2,058	R 1,623	R 826

Option	Discovery Health Medical Scheme			
	Income Band	Principal	Adult	Child
KeyCare Plus	R 0 - R 8,100	R 914	R 914	R 331
	R 8,101 - R 11,550	R 1,280	R 1,280	R 358
	R 11,551 +	R 1,906	R 1,906	R 510

5.1 Impact on WitsMed Members

The tables that follow show the likely impact on WitsMed members being moved to the default DHMS options. The impact is shown in terms of the 2017 gross contributions on both schemes and is based on the WitsMed membership as at July 2017.

We have ignored the impact of any employer subsidy as this matter had not been finalised at the time of preparing this document.

The table below shows the approximate Rand amount impact to WitsMed members across all income bands.

WitsMed Income Band	Number of Principal Members	Proportion of Membership	Average Impact to Monthly Contribution
R 0 - R 915	249	9.6%	R 279.37
R 916 - R 1,775	17	0.7%	R 153.00
R 1,776 - R 2,745	35	1.4%	(R 228.00)
R 2,746 - R 3,610	44	1.7%	(R 642.09)
R 3,611 - R 4,470	25	1.0%	(R 296.68)
R 4,471 - R 5,385	45	1.7%	R 211.47
R 5,386 - R 6,245	34	1.3%	(R 139.03)
R 6,246 - R 9,123	62	2.4%	R 88.00
R 9,124 - R 10,225	28	1.1%	(R 110.46)
R 10,226 - R 11,392	39	1.5%	R 60.79
R 11,393 - R 12,560	35	1.4%	R 52.91
R 12,561 - R 13,655	26	1.0%	R 28.00
R 13,656 - R 14,756	42	1.6%	(R 61.29)
R 14,757 - R 15,923	42	1.6%	(R 157.14)
R 15,924 - R 17,019	27	1.0%	(R 270.59)
R 17,020 - R 18,259	44	1.7%	(R 369.82)
R 18,260 - R 19,355	36	1.4%	(R 32.97)
R 19,356 - R 20,450	36	1.4%	(R 230.19)
R 20,451 - R 21,623	42	1.6%	(R 177.71)
R 21,624 - R 22,719	50	1.9%	(R 487.30)
R 22,720 - R 24,761	81	3.1%	(R 495.40)
R 24,762 - R 27,310	78	3.0%	(R 227.67)
R 27,311 - R 44,604	457	17.7%	(R 506.96)
R 44,605 +	1,010	39.1%	R 699.39

The table below shows the approximate percentage increase or decrease in contributions for WitsMed members across all income bands and family structures.

WitsMed Income Band	P	PA	PC	PAC
R 0 - R 915	18.1%	52.2%	-	-
R 916 - R 1,775	(3.3%)	24.5%	-	-
R 1,776 - R 2,745	(23.3%)	(1.7%)	-	-
R 2,746 - R 3,610	(41.7%)	(25.4%)	-	-
R 3,611 - R 4,470	6.3%	(39.5%)	(48.0%)	-
R 4,471 - R 5,385	11.4%	3.8%	-	8.2%
R 5,386 - R 6,245	(0.6%)	(8.0%)	-	0.2%
R 6,246 - R 9,123	2.6%	1.8%	0.7%	12.9%
R 9,124 - R 10,225	(2.9%)	(3.7%)	0.7%	-
R 10,226 - R 11,392	(5.4%)	8.2%	(7.3%)	-
R 11,393 - R 12,560	(7.9%)	6.2%	(9.6%)	-
R 12,561 - R 13,655	(10.2%)	3.4%	1.6%	13.2%
R 13,656 - R 14,756	(12.3%)	1.3%	5.0%	14.7%
R 14,757 - R 15,923	(14.4%)	(1.1%)	0.9%	7.4%
R 15,924 - R 17,019	(16.4%)	(3.8%)	(3.4%)	7.9%
R 17,020 - R 18,259	(18.3%)	(6.0%)	(2.2%)	6.1%
R 18,260 - R 19,355	9.4%	(8.7%)	(6.6%)	(2.0%)
R 19,356 - R 20,450	7.1%	(10.0%)	(11.5%)	(5.0%)
R 20,451 - R 21,623	4.8%	(11.7%)	(7.7%)	(4.6%)
R 21,624 - R 22,719	2.6%	(14.2%)	(12.3%)	(7.1%)
R 22,720 - R 24,761	0.5%	(14.7%)	(14.4%)	(9.6%)
R 24,762 - R 27,310	9.4%	(14.8%)	(17.7%)	(9.8%)
R 27,311 - R 44,604	5.7%	(19.2%)	(18.7%)	(12.8%)
R 44,605 +	4.2%	20.9%	(0.3%)	12.0%

6 BENEFIT OPTIONS

6.1 Current benefit structure

The table below compares the benefits of WitsMed's Standard Option and DHMS's Classic Comprehensive, Classic Delta Comprehensive, Classic Priority, Classic Saver, Classic Delta Saver and KeyCare Plus Options (default options) for 2017. The benefits under the DHMS options are highlighted in blue, red, or white where these benefits are higher, lower, or equivalent to the WitsMed Standard Option respectively.

Benefits	WitsMed Standard Option	KeyCare Plus	Classic Saver	Classic Delta Saver	Classic Priority	Classic Comprehensive	Classic Delta Comprehensive
Plan Type	Traditional	Capitation (Designated Service Providers)	New Generation without Threshold	New Generation without Threshold	New Generation with Threshold	New Generation with Threshold	New Generation with Threshold
Hospitalisation	Unlimited. Network Specialists: 100% of Cost, Other Specialists: 200% of Scheme Rate	Unlimited. Network Specialists paid 100% of Cost	Unlimited. Network Specialists: 100% of Cost, Other Specialists: 200% of Scheme Rate	Unlimited. Network Specialists: 100% of Cost, Other Specialists: 200% of Scheme Rate	Unlimited. Network Specialists: 100% of Cost, Other Specialists: 200% of Scheme Rate	Unlimited. Network Specialists: 100% of Cost, Other Specialists: 200% of Scheme Rate	Unlimited. Network Specialists: 100% of Cost, Other Specialists: 200% of Scheme Rate
Day-to-day	Sub-limits apply for each benefit type	Member chosen Designated Service Provider (DSP's) from KeyCare GP Network	Medical Savings Account (MSA)	Medical Savings Account (MSA)	Medical Savings Account & Above Threshold Benefit (ATB)	Medical Savings Account & Above Threshold Benefit (ATB)	Medical Savings Account & Above Threshold Benefit (ATB)
Overall Annual Maximum	OAL of R 3,000,000 pf. Sub-limit of R 760,000 pf included in the OAL.	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Hospital Benefit							
1 Private Hospital Care	100% of cost at Network Hospitals	Designated Private Hospital Networks: Full Cover Network & Partial Cover Network	Any Private Hospital	Hospital Network (R7 100 co-pay at other Hospitals for voluntary non-emergency admissions)	Any Private Hospital	Any Private Hospital	Hospital Network (R7 100 co-pay at other Hospitals for voluntary non-emergency admissions)
2 Co-payment	None	No co-pays at KeyCare network hospitals. 30% co-payment at Partial Cover Network Hospitals, R300 per casualty visit	Dentistry (<13 years R930-R2 050, >13 years R3 400-R5 250), Scopes (R3 900)/Scans (R2 900) Co-payment from MSA	Dentistry (<13 years R930-R2 050, >13 years R3 400-R5 250), Scopes (R3 900)/Scans (R2 900) Co-payment from MSA	19 procedures (R2 800-R13 850), Dentistry, Scopes (R3 600)/MRI/CT Scans not related to admission or conservative back/neck member pays first R2 800 of hospital account and first R2 900 of scan from MSA	Dentistry (<13 years R930-R2 050, >13 years R3 400-R5 250), Scopes (R3 150)/Scans (R2 900) Co-payment from MSA	Dentistry (<13 years R930-R2 050, >13 years R3 400-R5 250), Scopes (R3 150)/Scans (R2 900) Co-payment from MSA
3 Oncology	Subject to registration on the Oncology	PMB cover at Network Provider/Allocated Specialist - 80% at other Specialist	R200 000 over 12 mth cycle -80% of cost thereafter	R200 000 over 12 mth cycle -80% of cost thereafter	R200 000 over 12 mth cycle -80% of cost thereafter	R400 000 over 12 mth cycle -80% of cost thereafter	R400 000 over 12 mth cycle -80% of cost thereafter

Benefits	WitsMed Standard Option	KeyCare Plus	Classic Saver	Classic Delta Saver	Classic Priority	Classic Comprehensive	Classic Delta Comprehensive
	Programme. Subject to OAL Sublimit						
4 Organ Transplants	Subject to OAL/OAL	Unlimited, some implants not covered Unlimited at Preferred Provider. Registration/approval required, 80% of Scheme rate at non-DSP	Unlimited, R207 000 p/b limit for Cochlear or Brain implants Unlimited at DSP for approved treatment, 80% of Scheme rate at non-DSP	Unlimited, R207 000 p/b limit for Cochlear or Brain implants Unlimited at DSP for approved treatment, 80% of Scheme rate at non-DSP	Unlimited, R207 000 p/b limit for Cochlear or Brain implants Unlimited at DSP for approved treatment, 80% of Scheme rate at non-DSP	Unlimited, R207 000 p/b limit for Cochlear or Brain implants Unlimited at DSP for approved treatment, 80% of Scheme rate at non-DSP	Unlimited, R207 000 p/b limit for Cochlear or Brain implants Unlimited at DSP for approved treatment, 80% of Scheme rate at non-DSP
5 Dialysis	Subject to OAL/OAL	DSP. Limited to 3 days/2 nights	Limited to 3 days/2 nights. 200% Specialist cover	Limited to 3 days/2 nights. 200% Specialist cover	Limited to 3 days/2 nights. 200% Specialist cover	Limited to 3 days/2 nights. 200% Specialist cover	Limited to 3 days/2 nights. 200% Specialist cover
6 Maternity - Natural Birth	Subject to OAL/OAL	DSP. Limited to 3 days/2 nights	Limited to 3 days/2 nights. 200% Specialist cover	Limited to 3 days/2 nights. 200% Specialist cover	Limited to 3 days/2 nights. 200% Specialist cover	Limited to 3 days/2 nights. 200% Specialist cover	Limited to 3 days/2 nights. 200% Specialist cover
- Elective Caesarean	Subject to OAL/OAL	Emergency approved sections only. Limited to 4 days/3 nights	Limited to 4 days/3 nights. 200% Specialist cover	Limited to 4 days/3 nights. 200% Specialist cover	Limited to 4 days/3 nights. 200% Specialist cover	Limited to 4 days/3 nights. 200% Specialist cover	Limited to 4 days/3 nights. 200% Specialist cover
7 To take home medication	Limited to 7 day supply	No benefit	Subject to MSA	Subject to MSA	Subject MSA and Acute Medicine benefit limit	Subject MSA and Acute Medicine benefit limit	Subject MSA and Acute Medicine benefit limit
8 Psychiatric Hospitalisation	Limited to R 47 550 p/bpa and a maximum of 3 days' hospitalisation for members admitted by GP	Limited to 21 days p/b at DSP Hospital OR for major affective disorders, anorexia and bulimia, up to 15 consultations, and up to 12 consultations for acute stress disorder after significant trauma	Limited to 21 days p/b at DSP Hospital OR for major affective disorders, anorexia and bulimia, up to 15 consultations, and up to 12 consultations for acute stress disorder after significant trauma	Limited to 21 days p/b at DSP Hospital OR for major affective disorders, anorexia and bulimia, up to 15 consultations, and up to 12 consultations for acute stress disorder after significant trauma	Limited to 21 days p/b at DSP Hospital OR for major affective disorders, anorexia and bulimia, up to 15 consultations, and up to 12 consultations for acute stress disorder after significant trauma	Limited to 21 days p/b at DSP Hospital OR for major affective disorders, anorexia and bulimia, up to 15 consultations, and up to 12 consultations for acute stress disorder after significant trauma	Limited to 21 days p/b at DSP Hospital OR for major affective disorders, anorexia and bulimia, up to 15 consultations, and up to 12 consultations for acute stress disorder after significant trauma
Radiology/Pathology/Prosthesis							
1 Basic Radiology	Subject to OAL Sub-limit.	100% of Scheme Rate. Unlimited	100% of Scheme Rate. Unlimited	100% of Scheme Rate. Unlimited	100% of Scheme Rate. Unlimited	100% of Scheme Rate. Unlimited	100% of Scheme Rate. Unlimited
2 MRI, CT & PET Scans	Subject to OAL Sub-limit. In - and Out-of-Hospital: Limited to R 11,800 p/bpa	Unlimited if related to admission. No benefit for conservative back/neck	Unlimited. R2900 co-pay if not related to admission or for conservative back/neck from Member	Unlimited. Member pays first R2 800 for conservative back/neck + R2 900 of Hospital account from MSA/ATB	Unlimited. R2900 co-pay if not related to admission or for conservative back/neck from Member	Unlimited. R2 900 co-pay if not related to admission or for conservative back/neck from Member	Unlimited. R2 900 co-pay if not related to admission or for conservative back/neck from Member
3 Pathology	Subject to OAL Sub-limit.	100% of Scheme Rate. Unlimited	100% of Scheme Rate. Unlimited	100% of Scheme Rate. Unlimited	100% of Scheme Rate. Unlimited	100% of Scheme Rate. Unlimited	100% of Scheme Rate. Unlimited
4 Internal Prosthesis	Subject to OAL Sub-limit and prosthesis limit of R47,700 p/bpa. Additional limits apply depending on type.	Exclusions apply (hip, knee, shoulder & spine prostheses)	Unlimited for hip, knee, shoulder & spine at DSP supplier. Limits apply if non-DSP used.	Unlimited for hip, knee, shoulder & spine at DSP supplier. Limits apply if non-DSP used.	Unlimited for hip, knee, shoulder & spine at DSP supplier. Limits apply if non-DSP used.	Unlimited for hip, knee, shoulder & spine at DSP supplier. Limits apply if non-DSP used.	Unlimited for hip, knee, shoulder & spine at DSP supplier. Limits apply if non-DSP used.

Benefits	WitsMed Standard Option	KeyCare Plus	Classic Saver	Classic Delta Saver	Classic Priority	Classic Comprehensive	Classic Delta Comprehensive
5 External Appliances/Prostheses	Appliances: Limited to R 33,950 p/pa. Subject to OAL Sub-limit. In-Hospital: 100% of Scheme Rate. Out-of-Hospital: 90% of Scheme Rate. Sub-limits apply: Keratoconus contact lenses limited to R 2,070 p/pa. General and Surgical appliances limited to R 5,880 p/pa. Hearing aids limited to R 33,950 p/p2a, limited to R 16,975 per hearing aid. CPAP apparatus limited to R 11,700 p/pa.	Mobility devices only - up to R5 200, subject to DSP	Subject to available MSA	Subject to available MSA	MSA/ATB. Limited to R39 400 p/f. Hearing aids: R18 300 p/f	MSA/ATB. Limited to R58 800 p/f. Hearing aids: R22 900 p/f	MSA/ATB. Limited to R58 800 p/f. Hearing aids: R22 900 p/f
Sub Acute Facilities							
1 Hospice	Subject to OAL/OAL	Unlimited for oncology patients registered on the Advanced Illness Benefit. R37 350 per person per lifetime for other patients.	Unlimited for oncology patients registered on the Advanced Illness Benefit. R52 750 per person per lifetime for other patients.	Unlimited for oncology patients registered on the Advanced Illness Benefit. R52 750 per person per lifetime for other patients.	Unlimited for oncology patients registered on the Advanced Illness Benefit. R52 750 per person per lifetime for other patients.	Unlimited for oncology patients registered on the Advanced Illness Benefit. R52 750 per person per lifetime for other patients.	Unlimited for oncology patients registered on the Advanced Illness Benefit. R52 750 per person per lifetime for other patients.
2 Nursing	80% of Scheme Rate. Limited to R 17,850 p/pa. Subject to OAL Sub-limit.	No benefit, except HomeCare benefit (Gauteng)	Subject to approval and DSP, Gauteng, Cape Town, PE and KZN only	Subject to approval and DSP, Gauteng, Cape Town, PE and KZN only	Subject to approval and DSP, Gauteng, Cape Town, PE and KZN only	Subject to approval and DSP, Gauteng, Cape Town, PE and KZN only	Subject to approval and DSP, Gauteng, Cape Town, PE and KZN only
3 Ambulance Services	Unlimited - Netcare 911	Unlimited - Netcare 911	Unlimited-Netcare 911. Africa evacuation & International Travel Benefit	Unlimited-Netcare 911. Africa evacuation & International Travel Benefit	Unlimited-Netcare 911. Africa evacuation & International Travel Benefit	Unlimited-Netcare 911. Africa evacuation & International Travel Benefit	Unlimited-Netcare 911. Africa evacuation & International Travel Benefit

Benefits	WitsMed Standard Option	KeyCare Plus	Classic Saver	Classic Delta Saver	Classic Priority	Classic Comprehensive	Classic Delta Comprehensive
Chronic Benefit							
27 CDL chronic conditions	Unlimited for list of approved medicine - Any Provider.	Unlimited - Preferred Provider & Formulary applies	Unlimited for list of approved formulary medicine. Payment up to Chronic Disease Amount for non-formulary medicine Any Provider	Unlimited for list of approved formulary medicine. Payment up to Chronic Disease Amount for non-formulary medicine Any Provider DSP: MedXpress	Unlimited for list of approved formulary medicine. Payment up to Chronic Disease Amount for non-formulary medicine Any Provider Any Provider	Unlimited for list of approved formulary medicine. Payment up to Chronic Disease Amount for non-formulary medicine Any Provider Any Provider	Unlimited for list of approved formulary medicine. Payment up to Chronic Disease Amount for non-formulary medicine Any Provider DSP: MedXpress
Additional chronic conditions	3 conditions covered	No benefit	No benefit	No benefit	No benefit	Approved Medicine: Unlimited, Other: Set amount per class. 23 conditions	Approved Medicine: Unlimited, Other: Set amount per class. 23 conditions

Benefits	WitsMed Standard Option	KeyCare Plus	Classic Saver	Classic Delta Saver	Classic Priority	Classic Comprehensive	Classic Delta Comprehensive
Day-to-day Benefit							
Overall Annual Maximum	Subject to OAL and OASL. Individual limits per service category	Individual limits per service category	Subject to available MSA	Subject to available MSA	Available Savings and limited Above Threshold Benefit	Unlimited in ATB, except defined list of services	Unlimited in ATB, except defined list of services
Preferred Provider	Any GP, Specialist	Yes - KeyCare GP Network/GP Specialist referral	Any GP, Specialist	Any GP, Specialist, MedXpress for Chronic or 20% co-payment	Any GP, Specialist	Any GP, Specialist	Any GP, Specialist, MedXpress for Chronic or 20% co-payment
Medical Savings Account	N/A	N/A	25% - PM: R7 728, AD: R6 084, C: R3 084	25% - PM: R6 168, AD: R4 860, C: R2 472	25% - PM: R8 904, AD: R7 008, C: R3 552	25% - PM: R13 512, AD: R12 792, C: R2 688	25% - PM: R12 168, AD: R11 520, C: R2 412
Annual Threshold	N/A	N/A	N/A	N/A	PM: R13 150, AD: R9 850, C: R4 300	PM: R15 500, AD: R15 500, C: R2 950	PM: R15 500, AD: R15 500, C: R2 950
Self Payment Gap	N/A	N/A	N/A	N/A	PM: R4 246, AD: R2 842, C: R748	PM: R1 988, AD: R2 708, C: R262	PM: R3 332, AD: R3 980, C: R538
Above Threshold Benefit	N/A	N/A	N/A	N/A	PM: R11 150, AD: R7 950, C: R3 850	Unlimited. Various limits per benefit type.	Unlimited. Various limits per benefit type.
GP's and medication							
1 General Practitioners	100% of Scheme Rate. Network GP Limits: M: 12 visits p.a. M+1: 18 visits p.a. M+2+: 24 visits p.a. Non-Network GP limits: M: 6 visits p.a. M+1: 9 visits p.a. M+2+: 12 visits p.a.	Unlimited at DSP, pre-auth after 15th visit. 4 out-of-network visits allowed p/b	Subject to MSA + Extender Benefit: M: 3 visits, M+: 6 visits at Premier Plus Network GP's. Children <10 have access to 2 casualty visits & 2 video consultations p/a	Subject to MSA + Extender Benefit: M: 3 visits, M+: 6 visits at Premier Plus Network GP's. Children <10 have access to 2 casualty visits & 2 video consultations p/a	Unlimited. Subject to MSA, Extender Benefit & ATB limit	Unlimited. Subject to MSA, Extender Benefit & ATB	Unlimited. Subject to MSA, Insured Benefit & ATB

Benefits	WitsMed Standard Option	KeyCare Plus	Classic Saver	Classic Delta Saver	Classic Priority	Classic Comprehensive	Classic Delta Comprehensive
2 Specialists	Maternity: Limited to 12 ante-natal consultations, 2 2D scans and 4 post-natal midwife consultations All other: included in GP Limit above	GP to specialist pre-auth process applies. Limited to R3 570 per person if referred by DSP GP. Pooled limit with consultations (up to 110% of Scheme Rate), materials, radiology, pathology, and acute medicine.	Subject to available MSA	Subject to available MSA	Subject to MSA and ATB limit	Subject to MSA and ATB - unlimited in ATB	Subject to MSA and ATB - unlimited in ATB
3 Prescribed Medication	Limit applies: M: R 7 800 M+1: R 9 500 M+2+: R 11 100 100% of Scheme Rate. Paid up to SEP and a dispensing fee. Limited to R 1,170 p/pa, R 190 per script and subject to the prescribed medication benefit.	GP prescription, Unlimited at DSP Pharmacy, Formulary applies. Specialist prescription subject to Specialist limit	Subject to available MSA	Subject to available MSA	MSA & ATB. 75%/100% - M R17 200, M1 R20 850, M2 R25 150, M3+ R27 450	MSA/Extender Benefit & ATB. 75%/100% - M R26 650, M1 R31 300, M2 R36 650, M3+ R41 450	MSA/Extender Benefit & ATB. 75%/100% - M R26 650, M1 R31 300, M2 R36 350, M3+ R41 450
4 Pharmacy Advised Medicine		No benefit	Subject to MSA (Includes prescribed Schedule 1 - 3)	Subject to MSA (Includes prescribed Schedule 1 - 3)	Subject to MSA (Includes prescribed Schedule 1 - 3)	Subject to MSA (Includes prescribed Schedule 1 - 3)	Subject to MSA (Includes prescribed Schedule 1 - 3)
Radiology & Pathology							
1 Basic Radiology	In-Hospital: subject to OAL sub-limit Out-of-hospital: R 7,150	GP/Specialist referral to Network provider. Specific list of black & white x-rays. Subject to Specialist limit	Subject to available MSA	Subject to available MSA	Subject to MSA and ATB limit	Subject to MSA and ATB - Unlimited	Subject to MSA and ATB - Unlimited
2 MRI, CT & PET Scans	Subject to OAL Sub-limit. In - and Out-of-Hospital: Limited to R 11,800 pbpa	R3 570 p/b. Specialist or Trauma GP referral only (combined with Specialist benefit)	Subject to MSA (first R2 900) and Hospital Benefit	Subject to MSA (first R2 900) and Hospital Benefit	Subject to MSA (first R2 900) and Hospital Benefit	Subject to MSA (first R2 900) and Hospital Benefit	Subject to MSA (first R2 900) and Hospital Benefit
3 Pathology	In-Hospital: subject to OAL sub-limit Out-of-hospital: R 4,240	GP/Specialist referral, Specific list of tests. Subject to Specialist limit	Subject to available MSA	Subject to available MSA	Subject to MSA, Extender Benefit and ATB limit	Subject to MSA, Extender Benefit and ATB -Unlimited	Subject to MSA, Extender Benefit and ATB -Unlimited
Dental Benefit							
1 Conservative Dentistry	Unlimited. Subject to OAL Sub-limit.	Unlimited at network provider. Dentist - Consultations, fillings,	Subject to available MSA	Subject to available MSA	Unlimited, Subject to MSA and ATB	Unlimited, Subject to MSA and ATB	Unlimited, Subject to MSA and ATB

Benefits	WitsMed Standard Option	KeyCare Plus	Classic Saver	Classic Delta Saver	Classic Priority	Classic Comprehensive	Classic Delta Comprehensive
		extractions only. No benefit out of network.					
2 Specialised Dentistry	Subject to OAL Sub-limit. Further sub-limits apply: M: R 10 050 M+1: R 12 850 M+2+: R 15 650 Orthodontic treatments limited to R 22,350 p/pa	No benefit	Subject to available MSA	Subject to available MSA	Subject to MSA and ATB, up to R15 750 annual Dental limit, incl. dental appliances/Orthodontic surgery	Subject to MSA and ATB, up to R25 300 annual Dental limit, incl. dental appliances/Orthodontic surgery	Subject to MSA and ATB, up to R25 300 annual Dental limit, incl. dental appliances/Orthodontic surgery
Optical Benefit							
1 Examination	100% of scheme rate. Optical limit: R 4,150 pbpa, R 8,310 p/pa	One consultation per member per 24 months at network providers	Subject to available MSA	Subject to available MSA	Subject to MSA and ATB - R4 200 limit p/b	Subject to MSA and ATB - R4 600 limit p/b	Subject to MSA and ATB - R4 600 limit p/b
2 Lenses	One pair of single vision, bi-focal or multifocal lenses in glass or organic. Subject to optical limit	One basic set every 24 months. Only available from network providers	Subject to available MSA	Subject to available MSA	Subject to Optical limit. See Examination	Subject to Optical limit. See Examination	Subject to Optical limit. See Examination
3 Frames	R 1 590 pbpa subject to optical limit. Members will receive a 20% discount when accessing a network optometrist. S	One basic set every 24 months. Only available from network providers	Subject to available MSA. Members will receive a 20% discount when accessing a network optometrist.	Subject to available MSA. Members will receive a 20% discount when accessing a network optometrist.	Subject to Optical limit. See Examination. Members will receive a 20% discount when accessing a network optometrist.	Subject to Optical limit. See Examination. Members will receive a 20% discount when accessing a network optometrist.	Subject to Optical limit. See Examination. Members will receive a 20% discount when accessing a network optometrist.
4 Contact Lenses	Limited to R 2,490 pbpa. Subject to optical limit	One basic set every 24 months, instead of spectacles	Subject to available MSA	Subject to available MSA	Subject to Optical limit. See Examination	Subject to Optical limit. See Examination	Subject to Optical limit. See Examination
Auxiliary Services							
1 Physiotherapy	Subject to OAL Sub-Limit. R 7 450 limit p/pa.	No benefit	Subject to available MSA	Subject to available MSA	Included in the Allied and Therapeutic and Psychology Benefit. Limits apply: M: R9 450, M+1: R13 350, M+2: R17 300, M+3+: R20 400, unlimited for certain conditions. Subject to MSA and ATB limit	Included in the Allied and Therapeutic and Psychology Benefit. Limits apply: M: R9 450, M+1: R13 350, M+2: R17 300, M+3+: R20 400, unlimited for certain conditions	Included in the Allied and Therapeutic and Psychology Benefit. Limits apply: M: R9 450, M+1: R13 350, M+2: R17 300, M+3+: R20 400, unlimited for certain conditions

Benefits	WitsMed Standard Option	KeyCare Plus	Classic Saver	Classic Delta Saver	Classic Priority	Classic Comprehensive	Classic Delta Comprehensive
2 Psychiatry	Subject to Psychiatric Hospitalisation Benefit. Limited to R 17 850 pfpa. Joint limit with out-of-hospital Psychology	Subject to Specialist Benefit limit of R3 570 pbpa	Subject to available MSA	Subject to available MSA	Subject to MSA and ATB limit	Subject to MSA and ATB - unlimited in ATB	Subject to MSA and ATB - unlimited in ATB
3 Psychology	Subject to Psychiatric Hospitalisation Benefit. Limited to R 17 850 pfpa. Joint limit with out-of-hospital Psychiatry	No benefit	Subject to available MSA	Subject to available MSA	Included in the Allied and Therapeutic and Psychotherapy Benefit. See physiotherapy for limit amounts.	Included in the Allied and Therapeutic and Psychotherapy Benefit. See physiotherapy for limit amounts.	Included in the Allied and Therapeutic and Psychotherapy Benefit. See physiotherapy for limit amounts.
4 HIV/AIDS	Unlimited, subject to registration on HIVCare	Unlimited, subject to registration on HIVCare	Unlimited, subject to registration on HIVCare	Unlimited, subject to registration on HIVCare	Unlimited, subject to registration on HIVCare	Unlimited, subject to registration on HIVCare	Unlimited, subject to registration on HIVCare

6.2 Benefit design of the amalgamated scheme

DHMS will allocate a default option to each WitsMed members at the time of joining DHMS. The intended default options are set out in Section 2.2.14.

Details regarding the DHMS benefit options available to WitsMed members are included as Annexure B.

The benefit design of the amalgamated scheme will not be different to the current benefit design of DHMS.

6.3 Non-Healthcare expenditure

The table below shows the breakdown of non-health expenditure for WitsMed and DHMS as well as for the amalgamated scheme based on the 2016 audited Annual Financial Statements.

Total non-healthcare Expenditure	WitsMed			DHMS				Combined			
	pmpm	pbpm	% of GCI and RCI*	pmpm	pbpm	% of GCI	% of RCI	pmpm	pbpm	% of GCI	% of RCI
Administration Expenditure	R 193.71	R 102.81	4.4%	R 270.49	R 127.86	7.7%	9.5%	R 270.49	R 127.86	7.7%	9.5%
Managed Care	R 93.93	R 49.85	2.1%	R 91.72	R 43.36	2.6%	3.2%	R 91.72	R 43.36	2.6%	3.2%
Broker Fees	R 0.00	R 0.00	0.0%	R 71.80	R 33.94	2.0%	2.5%	R 71.80	R 33.94	2.0%	2.5%
Reinsurance	R 0.00	R 0.00	0.0%	R 0.00	R 0.00	0.0%	0.0%	R 0.00	R 0.00	0.0%	0.0%
Other operating expenses	R 41.04	R 21.78	0.9%	R 15.39	R 7.28	0.4%	0.5%	R 15.39	R 7.28	0.4%	0.5%
Impairment Losses	R 0.00	R 0.00	0.0%	R 0.00	R 0.00	0.0%	0.0%	R 0.00	R 0.00	0.0%	0.0%
Total	R 328.68	R 174.45	7.5%	R 449.41	R 212.44	12.8%	15.8%	R 449.41	R 212.44	12.8%	15.8%

* WitsMed benefit design has no savings component and therefore gross and risk contributions are equal.

6.4 Reserve building

As a condition of amalgamation, a minimum reserve value of R140 million will be transferred to DHMS. This is expected to have an impact of less than 1% on the DHMS solvency ratio as at the end of 2017.

At 31 December 2016, the DHMS solvency ratio was 26.3% (2015: 26.0%) which is above the minimum statutory requirement of 25%. The transfer of WitsMed's assets and liabilities to DHMS is not expected to put a strain on DHMS's ability to meet the 25% minimum solvency requirement.

7 GOVERNANCE

The Board of Trustees of the amalgamated scheme will consist of the current DHMS Board of Trustees ("Board"). DHMS is governed on behalf of its members by an independent Board of Trustees. The DHMS Board of Trustees consists of eight independent individuals, with no ties to either the Administrator or Managed Healthcare Provider of DHMS, Discovery Health (Pty) Ltd, or to the executive officers of DHMS.

As required by the Medical Schemes Act, No 131 of 1998, as amended ("Act"), and the rules of DHMS, at least 50 per cent of the members of the Board of Trustees shall be elected by the members of DHMS from amongst members. Over 50% of DHMS's Trustees are elected by DHMS members in a transparent election process, assisted by an Independent Nomination Committee, appointed by the Trustees and overseen and audited by an independent electoral body (identified as PricewaterhouseCoopers Advisory Services (Pty) Ltd ("PwC") for the 2016 and 2017 trustee elections).

DHMS's Board is responsible for the oversight of the business of DHMS. The Board holds the decision-making power of DHMS and is ultimately responsible for overseeing the implementation of DHMS's strategy and the sound management of its business. The Board's overriding objective is to ensure the best interests of DHMS members are served in the context of the sustainability of DHMS.

The role of the Trustees is to:

- Evaluate, direct and monitor DHMS's strategy, ensuring that it is aligned with the purpose and value drivers of DHMS, and the legitimate interests and expectations of stakeholders.
- Review the sustainability of DHMS and evaluate whether the services offered by the Administrator and Managed Care provider meet the needs of DHMS and its members, and offer value for money.
- Monitor innovation and oversee the improvement of all levels of DHMS's operations.
- Monitor adherence to the DHMS Rules and the provisions of the Act in the day-to-day running of DHMS's affairs.
- Consider stakeholder perceptions and their impact on DHMS's reputation.

The Trustees are required at all times to act with due care, diligence, skill and good faith in the best interests of DHMS and its members.

The duties of the Trustees, set out in the Act and the registered DHMS Rules, are to:

- Take all reasonable steps to ensure that the interests of beneficiaries in terms of the DHMS Rules and the provisions of the Act are protected at all times, acting with impartiality in respect of all beneficiaries.
- Ensure the proper and sound management of DHMS by applying sound business principles to ensure DHMS's financial position is sound.
- Take all reasonable steps to protect the confidentiality of medical records concerning the state of health of DHMS members, and ensure that the DHMS Rules, operations and administration comply with the provisions of the Act and all other applicable laws.
- Oversee and direct the management of DHMS's outsourced activities performed by the Administrator and Managed Care provider.
- Appoint, evaluate and delegate oversight functions to the Principal Officer.
- Ensure that proper control systems and record keeping are employed by and on behalf of DHMS.
- Ensure that adequate and appropriate information is communicated to members regarding their rights, benefits, contributions and responsibilities in terms of the DHMS Rules.

In compliance with the Act and the registered Rules of DHMS, and in line with best practice governance principles, the Board has implemented appropriate governance structures to navigate and manage the complex operating environment, risks and strategic objectives of DHMS. As such, the Board is supported by ten Board Committees, constituted and structured based on the needs of DHMS, and to assist the Board to fulfil its fiduciary and oversight duties effectively. Board Committee members consist of both Trustees and independent members.

The Committees report regularly to the Board, and each has its own terms of reference and clear procedures for reporting. The terms of reference set out each Committee's role and responsibilities, which are reviewed on an annual basis to ensure that they remain relevant to the business of DHMS, and that the skill and expertise of members on the Committee are appropriate and relevant. The Committees make recommendations to the Board for approval of any decisions to be taken.

The Board appoints and delegates the accountability for the day-to-day management of DHMS to a Principal Officer, who is the chief executive of DHMS. The Principal Officer executes the Board's decisions and implements strategy and is supported by an executive management team.

The Scheme uses the Governance Assessment Instrument (GAI) to evaluate the implementation of governance structures and processes as recommended in King III. The survey tool shows a meaningful score which reflects DHMS's adoption of King III. DHMS is currently working to incorporate the newly-released King IV into all of its governance policies and practices, although it is only formally applicable to DHMS from 1 January 2018.

7.1 Remuneration

The Board is responsible for the development and implementation of a Remuneration Policy for DHMS employees as well as the Board and Board Committee members. The Board has delegated the responsibility of DHMS remuneration oversight to a Remuneration Committee (REMCO).

REMCO makes use of independent expert consultants and independent market benchmarking to assist the Committee in terms of best remuneration practices.

Medical schemes were advised in terms of Circular 41 of 2014 issued by the Council for Medical Schemes not to use the remuneration benchmarking of non-executive directors of listed companies. DHMS's market benchmarking methodology (developed by PwC) is as follows:

- Professional fees/rates charged by professionals in the fields of law, actuarial science, medicine, accounting and commerce;
- Professional fees will be discounted at an applicable rate (30%) to take into account the non-profit status of DHMS.

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

The Trustees remuneration is presented at each Annual General Meeting for a majority vote by members, after the approval thereof by the Board of Trustees on recommendation of the REMCO.

The following table shows the remuneration paid to Trustees during the 2016 financial year:

Trustee	Total Remuneration
Neil Morrison - Chair (Elected 23 June 2016)	R 452,000
Daisy Naidoo (Re-elected 23 June 2016)	R 1,015,000
Dave King (Elected 23 June 2016)	R 384,000
Dr Dhesan Moodley (Elected 23 June 2016)	R 430,000
Johan Human (Appointed 14 August 2017)	R 99,974
John Butler, SC (Appointed 14 June 2017)	N/A
Dr Susette Brynard (Elected 22 June 2017)	N/A
Joan Adams (Elected 22 June 2017)	N/A
Mike Van Der Nest – Chair (Term ended 14 August 2017)	R 1,005,000
Giles Waugh (Term ended 2 June 2017)	R 925 000
Puke Maserumule (Term ended 23 June 2016)	R 336 000
Noel Graves SC (Term ended 23 June 2016)	R 438 000
Zephne Van Der Spuy (Term ended 23 June 2016)	R 445 000

* Appointed as Chair with effect from 14 August 2017 after the term of Mike Van Der Nest expired

8 RISK MANAGEMENT

The Trustees of DHMS established the DHMS Risk Committee to ensure good governance and best practice, in line with King III's principles on the governance of risk.

DHMS operates according to a best practice risk management framework that covers all its activities, protects its members and underpins its sustainability. In addition to risk management, the Risk Committee oversees compliance, combined assurance, information technology governance, fraud, ethics, forensics and whistleblowing, legal and regulatory matters and litigation.

The role of the Risk Committee in no way reduces the responsibility of the Trustees under relevant laws and regulations in respect of governance and oversight of DHMS.

The principal purpose and objectives of the Risk Committee are to:

- Provide independent and objective oversight of the strategic, financial, insurance, operational, business and regulatory risks faced by DHMS.
- Consider the risk management policy and processes and monitor the risk management process and mitigation plans.
- Review the compliance policy, plan and universe, and the adequacy and effectiveness of the system for monitoring compliance with laws and regulations, as well as management's response to operational compliance incidents.
- Monitor the effectiveness and appropriateness of DHMS's combined assurance model, ensuring that it satisfactorily addresses all the significant risks facing DHMS.
- Review the adequacy and effectiveness of the IT control framework and governance structure, ensuring that the risk management process covers the IT environment and review DHMS disaster recovery and business continuity plans.
- Review anti-fraud programmes, controls, procedures and reports, including identification of fraud risks and implementation of anti-fraud measures.
- Review significant cases of conflict of interest, misconduct or fraud, or any other unethical activity by officials of DHMS, its Administrator and Managed Care Provider and any other third-party service provider to DHMS.

8.1 Discovery Health (Pty) Ltd's Initiatives for DHMS

Discovery Health (Pty) Ltd's vision of an integrated, value-driven healthcare system, centred on the needs of members, has led to the development of its business model that integrates wellness, quality of care and technology into a cohesive and sustainable healthcare system. Discovery Health (Pty) Ltd's vision for DHMS is that current and potential members see DHMS as providing far more than commoditised medical scheme benefits, but as delivering an integrated healthcare system that ensures that DHMS members obtain the best quality of care available in South Africa, as well as outstanding value.

Discovery Health (Pty) Ltd provides services that go well beyond traditional administration and managed care services, including ongoing product innovation, best-in-class service excellence, effective claims risk management, fraud management as well as coordination and management of the quality of clinical services accessed by DHMS members. Discovery Health (Pty) Ltd employs more than 4,000 people and deploys world-class actuarial, analytic, clinical and research and development capabilities at every point in the medical scheme product cycle.

Every day* on average in 2016, Discovery Health (Pty) Ltd facilitated the following for DHMS members:

- R142 million paid out in claims
- Calls handled: 36,600
- Babies born: 117
- New lives: 1,350
- Claims processed: 250,900
- Hospital admissions authorised: 2 900

* 258 working days in a year.

8.2 Lowering the cost of healthcare

Discovery Health (Pty) Ltd actively manages the cost of healthcare through an integrated operating model and various health innovations and assets. Some of the strategies Discovery Health (Pty) Ltd employs on behalf of DHMS include a move away from fee-for-service reimbursement to value-based contracting with providers. This type of contracting includes measures of quality of care and clinical outcomes. Discovery Health (Pty) Ltd has already developed and implemented several value-based contracts with doctors, and is engaging with the industry on identifying other means to reduce healthcare costs. Discovery Health (Pty) Ltd continues to grow and maintain provider networks that are efficient, drive adoption of cost-effective generic medicines, and incorporate technology into the healthcare system – measures that together help to counteract medical inflation without compromising access to and quality of healthcare.

Discovery Health (Pty) Ltd's managed care processes and intervention resulted in savings of R4.3 billion for DHMS in 2016. Achieved through tariff and Alternative Reimbursement Mechanism (ARM) savings, medicine savings, benefit design and funding policy, forensics and billing rules and surgical devices management, these savings amounted to an 11% reduction in risk claims.

8.3 Ensuring higher quality healthcare:

Discovery Health (Pty) Ltd has developed a number of disease management and care coordination programmes to improve members' access to and quality of care. These include programmes to assist members with chronic diseases such as diabetes, renal failure, HIV, mental health, as well as care coordination programmes aimed at complex patients with multiple conditions.

8.4 Forensics and fraud management.

Discovery Health (Pty) Ltd applies a wide range of sophisticated software and other analytic tools to detect fraud and abuse through a dedicated forensic investigative unit comprising 30 full-time experienced investigators. This unit works with actuarial, statistical and clinical teams to investigate every suspected case thoroughly and take swift action where necessary. For 2016, the work done by the forensics unit on fraud and non-disclosure resulted in savings of more than R330 million for DHMS.

9 FINANCIAL PLAN

The amalgamation is unlikely to result in a material change in the financial position of the amalgamated scheme. The amalgamated scheme is expected to maintain the required level of reserves to meet the statutory solvency requirement. The reserves transferred from WitsMed are expected to be sufficient so that the amalgamated scheme will not require additional contribution increases in future years for reserve building.

A detailed financial projection of WitsMed and DHMS for the 2017 benefit year is shown in Annexure D.

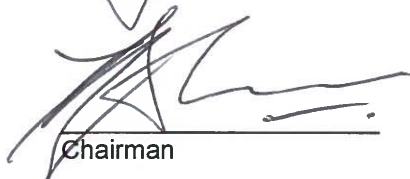
A five year financial projection for the amalgamated scheme is also shown in Annexure D.

10 CONCLUSION

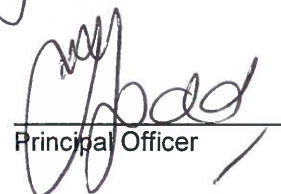
Both the Board of Trustees of WitsMed and DHMS have agreed to the proposed transaction subject to the Registrar's approval.

Signed on behalf of the University of the Witwatersrand, Johannesburg Staff Medical Aid Fund ("WitsMed"):

At Johannesburg on 28 August 2017

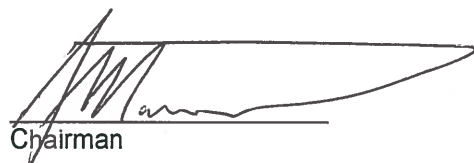

Chairman

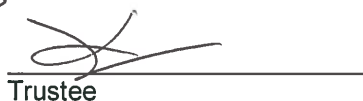

Trustee


Principal Officer

Signed on behalf of Discovery Health Medical Scheme ("DHMS"):

At SANDTON on 25 AUGUST 2017


Chairman


Trustee


Principal Officer