

Media Release

Discovery Health Medical Scheme delivers strong performance for 2014

Salient features:

- Gross income exceeded R44 billion
- Strong net healthcare results of R753 million
- Net surplus of R1.5 billion generated
- Solvency level at 25.76 percent
- Member reserves increased to R11.7 billion
- Membership growth to over 2.6 million lives
- AA+ credit rating for claims-paying ability retained

Johannesburg, South Africa – 29 May 2015.

The Discovery Health Medical Scheme today announced strong financial results despite challenging economic conditions in South Africa. The Scheme posted gross contribution income in 2014 exceeding R44 billion with a strong net healthcare result of R753 million, and a net surplus of R1.5 billion, on the back of a robust business model and continuing investment in innovation.

Milton Streak, Principal Officer of the Discovery Health Medical Scheme says that despite the tough conditions prevailing in the broader economy, the Scheme still excelled in its performance. “Testament to the Scheme’s ability to meet the diverse needs of its members, the Discovery Health Medical Scheme experienced another successful year of operation with very high cover ratios, increased solvency levels, low lapsation and sustained growth in membership,” he says.

In the period under review, membership grew steadily by 2.7 percent to more than 2.6 million lives. The Scheme reached a solvency level of 25.76 percent of gross annual contribution income, exceeding the 25 percent level required by legislation, and well ahead of the Scheme’s business plan. This places the Scheme’s reserves at a considerable R11.7 billion, demonstrating the strength and prudence of the Scheme’s business model.

Retention, member growth and financial performance in the 2014 financial year are a direct manifestation of the strategy that the Board has set. “The Scheme focused strongly on its primary goal of securing the best possible value for money for its members in terms of the benefits, service levels, and quality of care they receive in return for the contributions they pay,” says Streak.

As the largest open medical scheme in South Africa with an open scheme market share of 52%, the Discovery Health Medical Scheme continued its leading position as an innovator in this industry. With the support of Discovery Health, the Scheme’s administrator, the Scheme has continued to disrupt the market with significant innovation to improve the quality of care and member experience.

Since 2004, the Scheme has introduced 214 innovations, with the bulk relating to healthcare benefits and how they are managed. Other innovations have focused on improving administration efficiency, which enhances the convenience and service that members experience.

“As membership grows and innovation is rolled out, the Scheme’s administrator continues to implement a level of operations that are unparalleled in the industry, ensuring outstanding service excellence to

members,” says Streak. With over 50 000 calls answered each day and about four million claims processed monthly, the Scheme and Discovery Health have developed a range of technological innovations to not only service this large-scale operation, but also to enhance the member journey through the healthcare system. This includes smartphone and tablet applications for members and health professionals, further improving the member’s access and experience.

“These innovations play an increasingly critical role in our ability to improve the quality of care that members receive,” says Streak.

For the fourteenth consecutive year, the Scheme has retained its AA+ rating for its claims-paying ability from independent credit rating agency; Global Credit Ratings Co. Streak says that this asserts the Scheme’s prudent actuarial approach, as well as effective risk management, administrative efficiency and financial sustainability. “This is the highest rating a medical scheme is able to attain in South Africa. Our members can rest assured that the Scheme is able to fund their healthcare expenses reliably and sustainably for the foreseeable future,” he says.

In the same period, the Scheme has continued to offer members the widest range and most affordable scheme options available in the open medical scheme market. Streak says that ongoing market analysis has shown that the Scheme remains the most affordable medical scheme across the entire spectrum of healthcare plans available in the open medical schemes market on a like-for-like basis. “On average, the Discovery Health Medical Scheme contributions are 14% lower than those of the next nine medical schemes competing in the open medical schemes market,” says Streak.

Streak concluded, “Discovery Health Medical Scheme realises the important role of every contributor in the country’s private healthcare system, and we acknowledge the challenge posed by trying to meet the needs of all the Scheme’s stakeholders while ensuring long-term sustainability. This dynamic and complex operating environment emphasises the need for medical schemes to implement transparent and responsible healthcare funding solutions. The Scheme, under the guidance of the Board of Trustees and with operational support from Discovery Health, will continue to find innovative ways of ensuring that our members benefit from access to the best quality healthcare at the most affordable rates and that society as a whole benefits from a stable private healthcare system.”

Discovery Health Medical Scheme’s Integrated Annual Report and Annual Financial Statements are available [here](#). The 2015 Annual General Meeting of the Discovery Health Medical Scheme will take place on 25 June 2015. Details of the meeting are also available on www.discovery.co.za.

Ends

Notes to editors

Discovery Health Medical Scheme is the largest open medical scheme in South Africa with an open scheme market share of 52%. The Scheme is a non-profit entity governed by the Medical Schemes Act, No 131 of 1998, as amended (the Act), and is regulated by the Council for Medical Schemes.

The Scheme belongs to its members and an independent non-executive Board of Trustees (the Board) oversees its business. Members of the Scheme elect more than half of the Trustees in a transparent election process. The Board comprises independent, highly skilled professionals, each with distinctive expertise in

legal, clinical, financial, business and actuarial disciplines. A committee structure tailored to the Scheme's specific governance needs supports the Board.

The Scheme is an open medical scheme and any member of the public can, subject to the Scheme Rules, be a member of the Scheme. The business model implemented by the Scheme is based on international best practice principles for outsourcing, which enables the Board to fulfill its fiduciary duties to the benefit of all members of the Scheme. The relational and transactional governance elements of the outsourcing arrangements are managed through an integrated operating model in which Discovery Health (Pty) Ltd, as the Scheme's Administrator, manages all mandated aspects of the Scheme's operating environment, including the contractual relationships with health professionals and other providers of healthcare services and products.

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