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Discovery Health 2012 Review

Dr Jonathan Broomberg

CEO Discovery Health

1. Environmental trends

2. Discovery Health Strategies for 2012-2013

1. Healthcare reform initiatives are gaining traction and are strongly supportive of the private sector
2. An increasing disease burden and new medical technologies continue to drive the escalation in healthcare costs
3. Health system innovation is becoming critical to address supply and coordination challenges
4. The mainstream adoption of mobile digital technologies is changing the face of healthcare
5. Wellness is at the forefront of global healthcare issues worldwide

1. Healthcare reform initiatives are gaining traction and are strongly supportive of the private sector



Responsible roll-out of initial NHI pilot projects



Demarcation debate hopefully nearing clarity

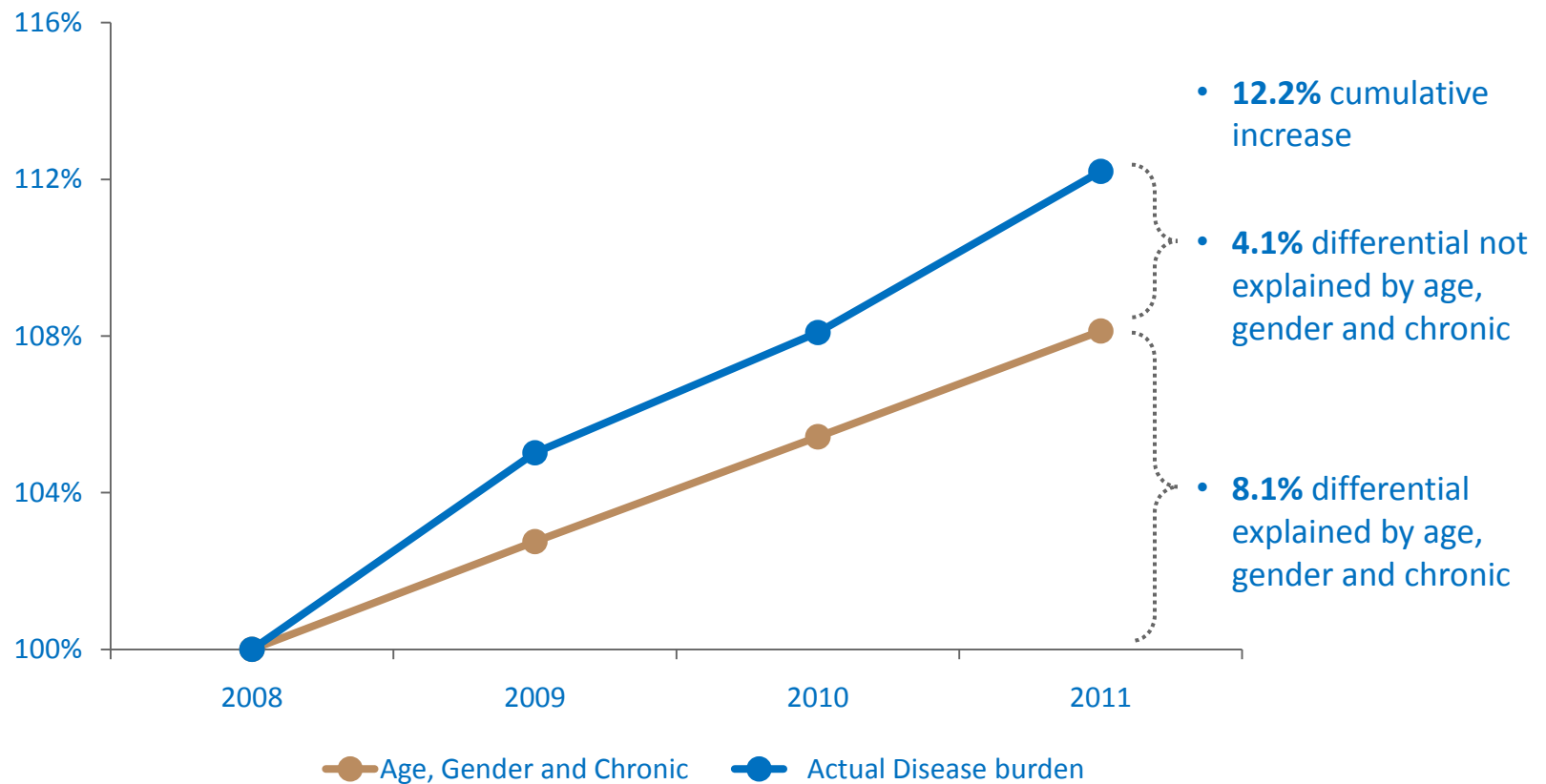


Strong recognition of the role of the private sector



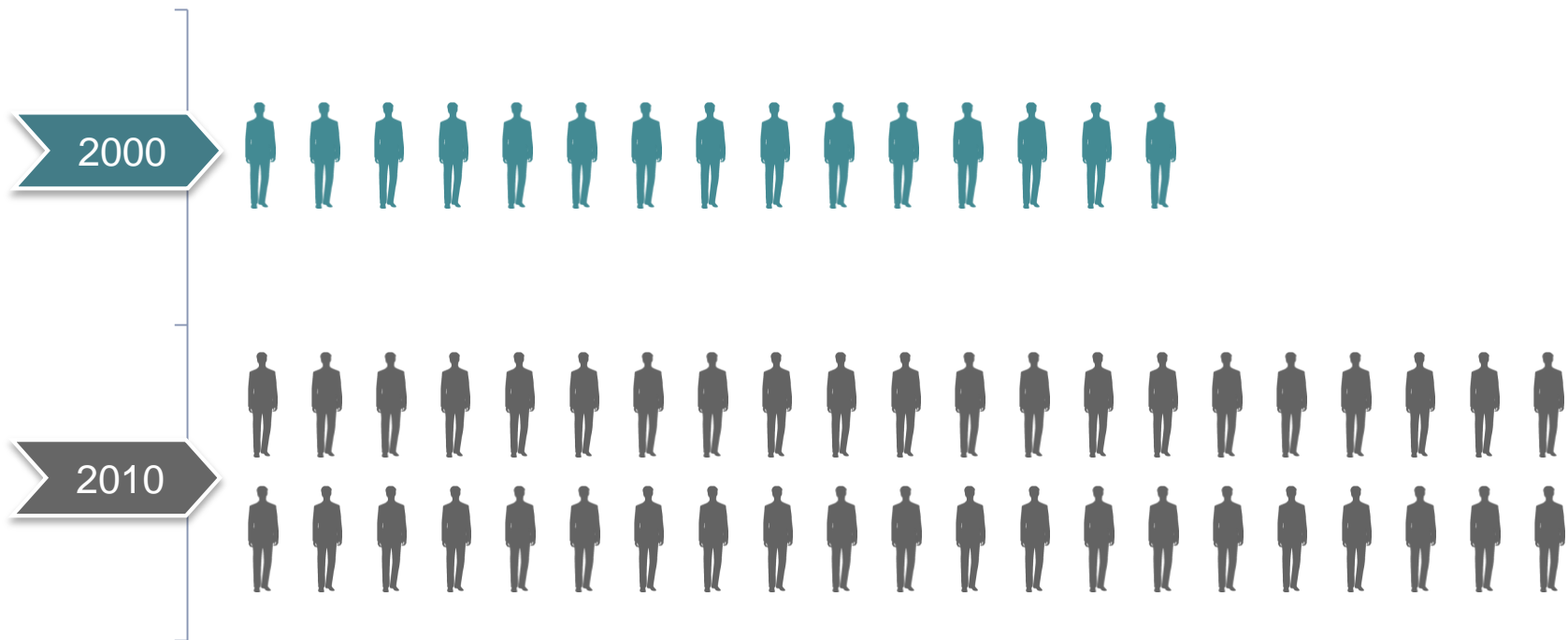
2. An increasing disease burden and new technologies continue to drive the escalation in healthcare costs

Cumulative increase in disease burden outstrips conventional age, gender and chronic impacts



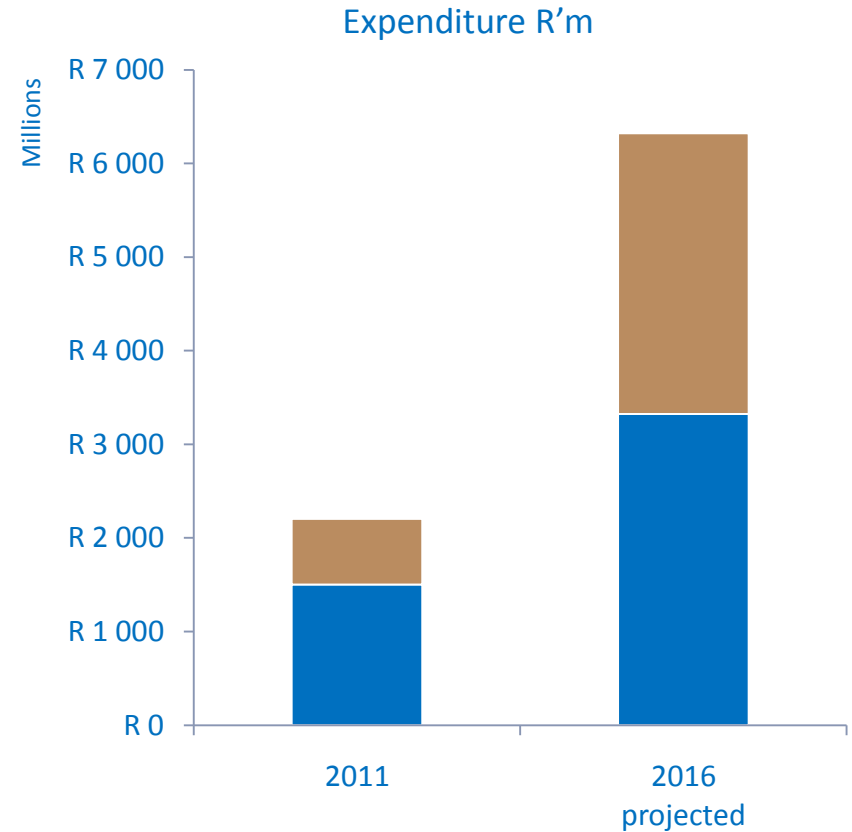
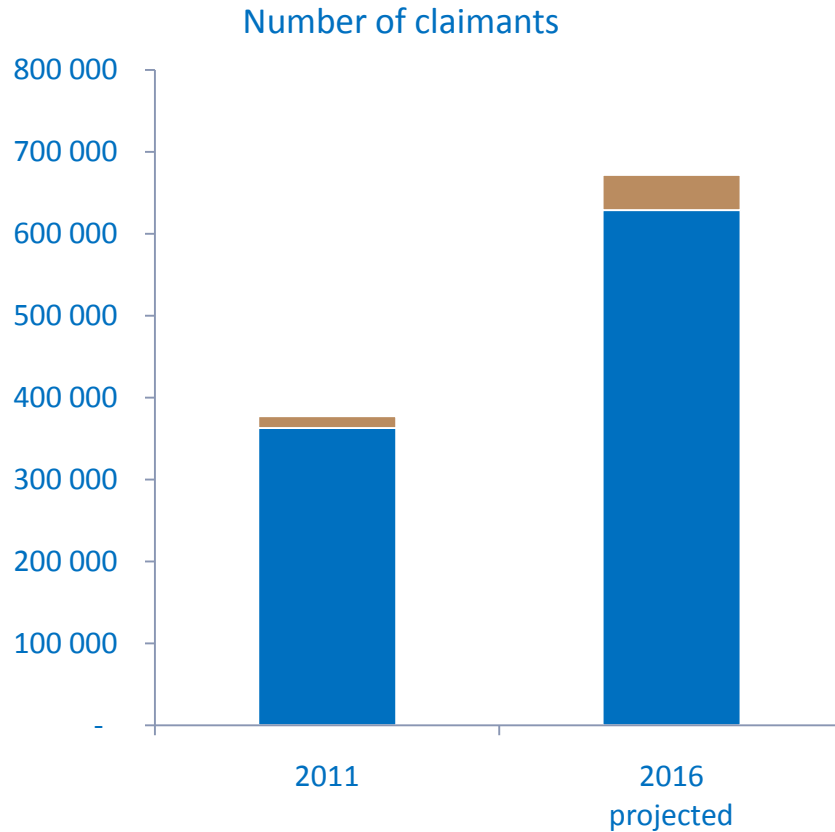
2. An increasing disease burden and new technologies continue to drive the escalation in healthcare costs

Number of claimants per 10,000 claiming more than R500,000
(2010 money terms)



2. An increasing disease burden and new technologies continue to drive the escalation in healthcare costs

Impact of high-cost drugs on healthcare costs

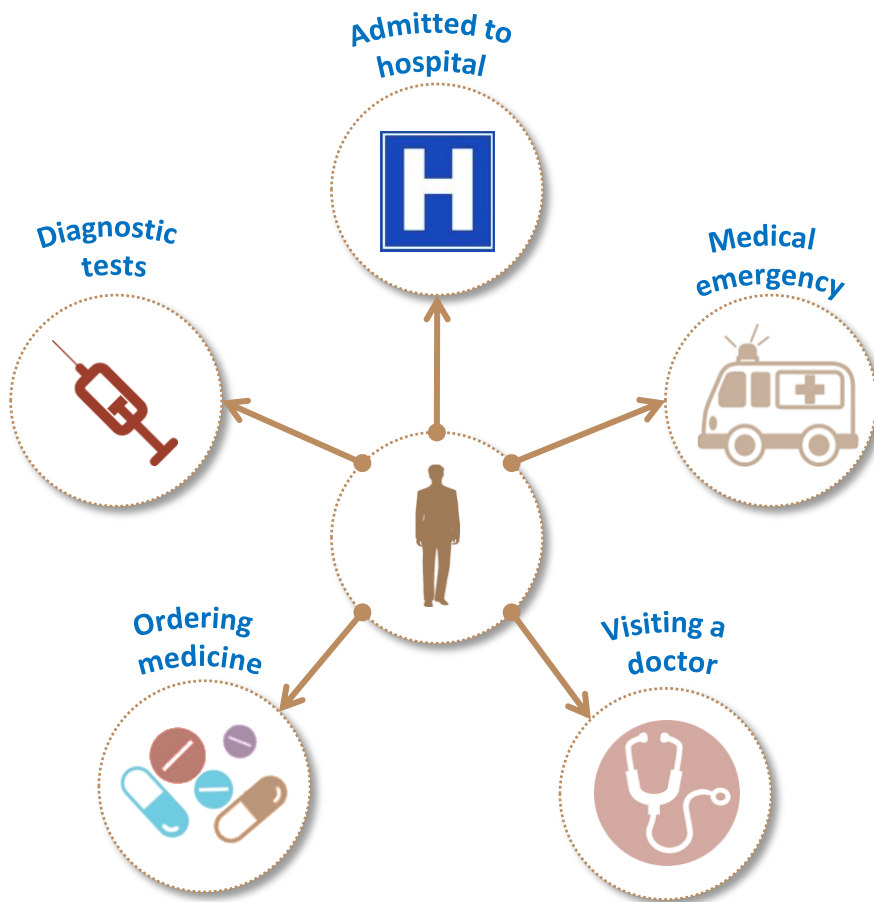


■ Chronic drug claimants ■ High-cost drug claimants

■ Chronic drug spend ■ High-cost drug spend

3. Health system innovation is becoming critical to address supply and coordination challenges

Key challenges: Connecting disparate participants in the healthcare system



Fragmentation in traditional healthcare delivery models result in systemic inefficiencies:

- Increased risk of inappropriate treatment and suboptimal clinical outcomes
- Lack of consolidated information results in repetitive, unnecessary diagnostic treatments

1. Environmental trends

2. Discovery Health Strategies for 2012-2013

1. Ensure that the Scheme continues on a healthy growth and financial trajectory
2. Optimise benefit design and innovate to provide access to the latest medical technologies for those with the greatest clinical needs
3. Use our health analytic assets to improve the quality of care and eliminate inefficiencies in the healthcare system
4. Leverage our scale and the latest mobile digital technologies to change the way our clients experience the healthcare system
5. Make Vitality an integral part of everyday life for our members

Ensure that the Scheme continues on a healthy growth and financial trajectory

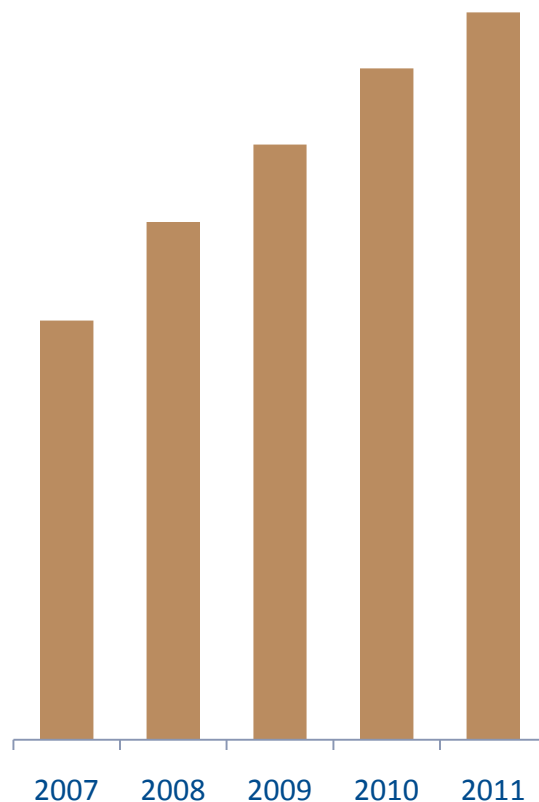


Membership progression



More than 2.3 million lives, with consistent growth year on year

Reserve progression



More than R7.4bn in member reserves

Global Credit Rating

Medical Fund	GCR Rating
Discovery	AA+
Medihelp	AA-
Fedhealth	AA-
Medshield	AA-
Liberty	AA-
Bonitas	A+
Sizwe	A+
Momentum	A+
Resolution	A-*

* Placed on rating watch

Highest attainable credit rating for 12 consecutive years

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■ RULING UPHOLDS SCHEME'S WITHDRAWAL OF FUNDING FOR LEUKAEMIA PATIENT'S EXPENSIVE MEDICATION

Your medical scheme can refuse to pay for super drugs

Medical breakthroughs in the treatment of serious illnesses are likely to be applauded as the world marks Cancer Day today. But the medical scheme regulator's decision that newer medicines are too expensive for members will be a bitter pill to swallow. **Laura du Preez** reports

Medical scheme members should not assume that their schemes will pay for high-cost specialised drugs, even when the medical reasons for using them are compelling. Medical science is progressing rapidly and new, expensive, remedies are becoming available, offering hope to those who had limited chances of survival on other treatments.

But recently, the Council for Medical Schemes Appeals Committee found that schemes had the right to consider the affordability of expensive treatments not regarded as the minimum level of care for prescribed minimum benefits (PMB) conditions.

Before making a decision on a cover treatment, the Appeals Committee was told that schemes would have to raise contributions by 98 percent to pay for wonder drugs known as biologics for four different conditions. This would benefit 0.01 percent of the about eight-million-strong medical scheme population, the committee heard.

Medshield Medical Scheme had decided not to fund a R300,000-a-month treatment for a member with bone marrow cancer, a PMB condition. The Appeals Committee upheld the scheme's decision.

This was despite the fact that the alternative treatment, currently considered to be the minimum level

of care for the condition in terms of the PMB regulations, is likely to result in the member requiring a costly and high-risk bone marrow transplant.

The ruling makes no mention of the fact that stopping the expensive treatment could result in the member's condition deteriorating and ultimately her death. The stance taken by the Registrar of Medical Schemes and the Appeals Committee offers little hope to a pensioner member of Liberty Medical Scheme with the same cancer who planned to appeal a recent ruling by the registrar to the effect that her scheme can impose a 10-percent co-payment, amounting to R3 000 a month, on her medication.

The ruling against the pensioner contradicts an earlier ruling issued by the registrar's office to the effect that the scheme could not impose the co-payment on her treatment.

The member, worried she may need to sell her home to fund her life-changing medicine, was recently hospitalised after an epileptic fit, brought on, her daughter believes, by the stress caused by her scheme's decision to impose the co-payment.

These members, along with others with chronic myeloid leukaemia, have brought to the fore the broader issue of what new treatments schemes should pay for and what this will cost the

medical scheme members. Myeloid leukaemia causes a proliferation of myeloid cells in the bone marrow, and these cells accumulate in the blood. If untreated, the disease progresses from a chronic phase to an accelerated one and finally to a crisis stage, which is typically short-lived. The cancer affects 1.6 in every 100,000 people.

Sufferers can lead a life virtually free of the effects of the illness if they take a biologic, imatinib mesylate, commonly known as Gleevec. Biologics are protein-based drugs derived from living cells cultured in a laboratory. They have revolutionised the treatment of certain cancers.

Gleevec kills off the cancer cells and stops the progression of the disease as long as the patient continues to take it. Produced by Novartis, it has radically improved the five-year survival rate of chronic myeloid leukaemia patients, and the South African Oncology Consortium (SAOC) regards it as the first line of treatment for this type of cancer.

All accredited South African oncologists belong to the SAOC, which issues guidelines on oncology benefits to its members.

The alternative to taking Gleevec is to have chemotherapy, typically involving a medicine known as Hydroxyurea, which alleviates the symptoms of the disease.

The registrar ruled against the member and the member appealed. The Appeals Committee



Dr Waldemar Szpak, the chairman of the SAOC, says, However, Hydroxyurea does not stop the progression of the disease, and patients may need to have a bone marrow transplant – if they are able to find a donor. Szpak says the costs of such a transplant can be up to R1 million, and there is a 16 to 40-percent chance that patients can die. In addition, not all patients are suitable candidates for a transplant, he says.

It says "existing treatments are not as effective as Gleevec and if resources were not a constraint treatment could be considered a PMB level of care".

It said the cost of providing Gleevec to all scheme members with chronic myeloid leukaemia would amount to between R107 million and R222 million, while the cost of providing Hydroxyurea is between R24 and R28 million a year.

The cost of providing Gleevec rather than Hydroxyurea would increase contributions, for you as a scheme member, by between R340 and R400 per month per beneficiary. However, the Clinical Review

Committee says Gleevec is not a new treatment that needs to be considered as a minimum treatment for PMB conditions. A biologic called Mabthera needs to be considered for the treatment of diffuse large B-cell lymphoma, as does Herceptin for breast cancer and Gleevec for gastro-intestinal tumours after surgery.

The cost of making these biologics the minimum treatment for PMBs would raise your contributions by 8.8 percent a year, the review committee says.

Dr Monwabisi Gantsho, the Registrar of Medical Schemes, says the regulator's framework governing the PMBs is under review and will hopefully be completed by the end of this year.

"It is unfortunate that in the meantime beneficiaries must incur and be held liable for co-payments in relation to new treatment regimens such as the biologics for many cancers. What is also important right now is effective communication between schemes and their members in funding PMB treatments of beneficiaries," he says.

A code of conduct for prescribed minimum benefits (PMBs) is the cause of at least one scheme changing its stance on paying for a costly cancer treatment in full.

A pensioner member of Liberty Medical Scheme suffering from chronic myeloid leukaemia was recently shocked to find the scheme had decided to impose a 10-percent co-payment on the Gleevec she is taking for the illness.

The member had been taking the medicine for a number of years and had had a ruling from the office of the Registrar of Medical Schemes in 2009, to the effect that her scheme had to pay for the medication in full and could not impose a co-payment.

The member complained to the registrar's office again this year. In a letter to the member last month, the

PMB ethics code behind drying up of funding

office notes: "Gleevec is currently not affordable to the industry and therefore not included in the PMB level of care." However, in 2009 the registrar's office had ordered Liberty Medical Scheme to pay for Gleevec without any co-payment on the basis that Gleevec was available in state hospitals and that, for PMBs, schemes have to pay for the same treatment as is available in state hospitals.

State patients continue to receive Gleevec. Novartis, the pharmaceutical company that developed the drug, provides it at no cost to eligible patients through its Gleevec International Patient Assistance Program. The drug

is provided at eight public-sector hospitals through the Max Foundation, a United States-based non-profit organisation dedicated to improving the lives of people with rare cancers. But, ironically for paying members of schemes that do not pay for Gleevec, the rules of the assistance programme exclude people with health insurance.

Dr Monwabisi Gantsho, the Registrar of Medical Schemes, says that in 2009 his office did not have information on the number of people who required biologics. It had therefore based its decision solely on the member's clinical circumstances.

However, he says, last year the council analysed the financial impact of biologics on medical schemes.

According to Andrew Edwards, the executive principal officer of Liberty Medical Scheme, in July 2010 the Council for Medical Schemes, schemes and industry stakeholders drew up and published a code of conduct for PMB benefits.

The code states that when schemes consider the levels of treatment for PMB conditions that are available in state hospitals, the technology, medicine or service must have been purchased through a tender or buy-out process and not be available as a

consequence of research, sponsored treatment trials or compassionate programmes.

Edwards says that after the code was published, Liberty Medical Scheme decided that paying for Gleevec in full for members with chronic myeloid leukaemia resulted in a disparity in the way in which benefits were distributed among members.

It therefore informed the affected patients that it would continue to pay for the medicine in full as a PMB only until the end of last year. Members who want PMB cover now need to use the alternative treatment, while members of the

Rapid rise in costs of specialised medicines

Discovery Health Medical Scheme experienced a 15-percent-a-year increase in its oncology costs over the past three years, and last year had a 27 percent rise in the number of claims for specialised medicines for illnesses other than cancer.

The increase in claims for specialised non-oncology medicines, combined with a three-percent increase in the cost per script for these medicines, meant the cost to the scheme for specialised medicines in oncology technologies rose 30 percent.

Jonathan Broomborg, the chief executive officer of Discovery Health, says:

"He says biologics are now used regularly in the treatment of rheumatoid disease, Crohn's disease, ankylosing spondylitis, ulcerative colitis, psoriasis vulgaris, osteoporosis, chronic renal disease and other conditions. Discovery Health pays for biologics for the treatment of cancer from its oncology limits or, in the case of cancers that are prescribed minimum benefits (PMBs), from its risk benefits."

Broomborg says of Discovery Health's two million beneficiaries, 25 000 are receiving treatment for cancer.

The average increase in the cost of treating these members has risen at almost 10 percentage points more than the average annual inflation rate of 5.5 percent over the past three years, and the scheme's annual oncology bill has now reached R500 million.

Broomborg says Discovery covers 7000 of Gleevec for chronic myeloid leukaemia patients in full on all its options.

He says the scheme's decision to fund Gleevec as the PMB treatment for this cancer was based on the fact that the South African Oncology Consortium regards Gleevec as the first line of treatment for this condition.

Decisions on how to fund biologics for PMB conditions are based on evidence regarding the effectiveness of the treatment and the cost-effectiveness of the treatment compared to other alternatives, he says.

Treatments for which clinical effectiveness has yet to be proved and backed by oncology benefits paid in full up to R200 000 a year on Discovery's lower plans, and R400 000 a year on its higher plans. The latter is a 20 percent co-payment applies.

Broomborg says 98 percent of members being treated for cancer are not covered by PMBs. He says benefits paid for members are increasing in value but because the vast majority of members pay in more than they get out, many believe that schemes do not offer them value.

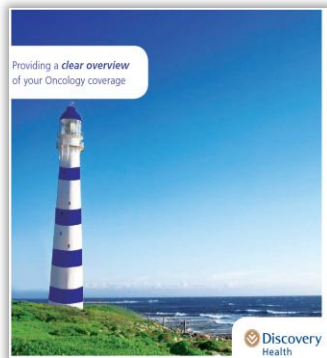
Discovery's statistics show that one out of every 10 members on the scheme drives five-tenths, or half, of the benefits paid. Broomborg says it is not possible to compare the cost-effectiveness of one drug to another, but says the Council for Medical Schemes has acknowledged that Gleevec is unaffordable for schemes.

The Appeals Committee dismissed the [member's] appeal based on a submission from the Registrars Clinical Review Committee that the cost of Gleevec is "prohibitive" and schemes would need to increase your contributions to fund it: "The increase in premiums would result in poorer members dropping out of schemes because they can no longer afford coverage," the ruling says.

In its submission, the Clinical Review Committee confirmed that Gleevec is highly effective.

Benefit and support structure

1. Oncology cover is unlimited on all plans
2. 99.8% of claims are covered
3. Ongoing care and support through Oncology Liaison Managers and Cancer Coaches



Key metrics



Discovery Health members receiving treatment for cancer



Annual spend from the oncology benefit



Increase in expenditure over the last 3 years

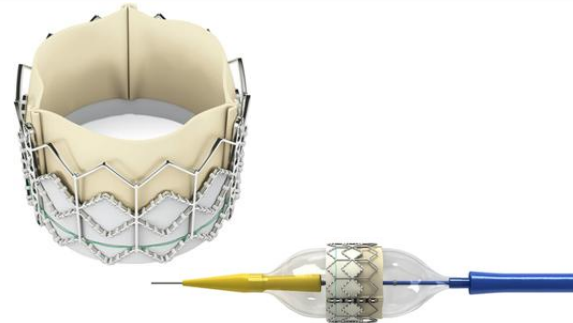
Appropriate benefit design allows unlimited cover in areas with greatest clinical need

Gleevec



- **Patients responding well:**
R355 000 per year for 4-6 years
- **Patients not responding well:**
R710,000 for 18 months

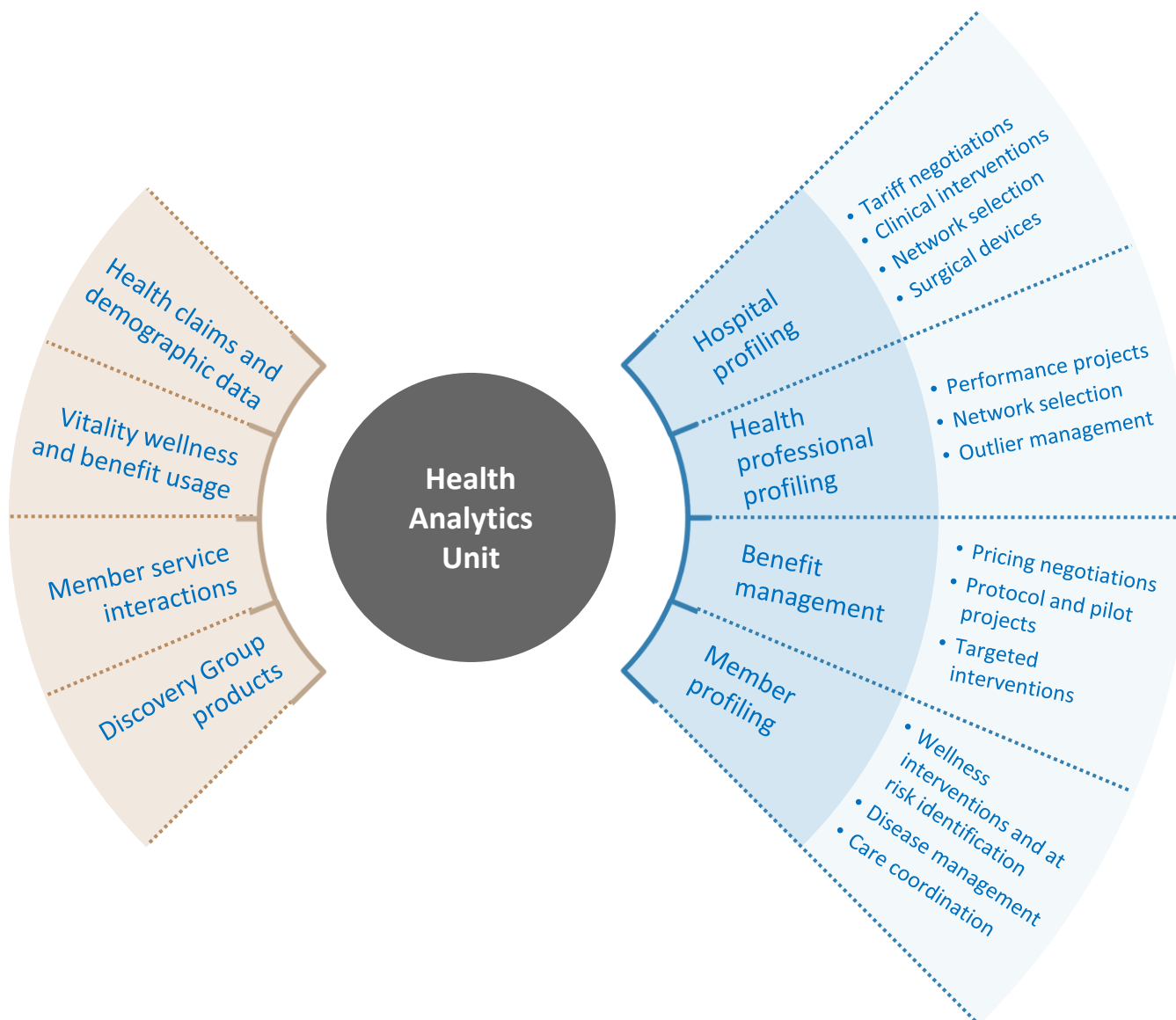
Trans-catheter Aortic Valve Implantation



- Alternative to open heart surgery for high risk patients
- DH Pioneered innovative risk-sharing funding arrangement
- 37 cases funded so far
- R321,000 - 552,000 per case

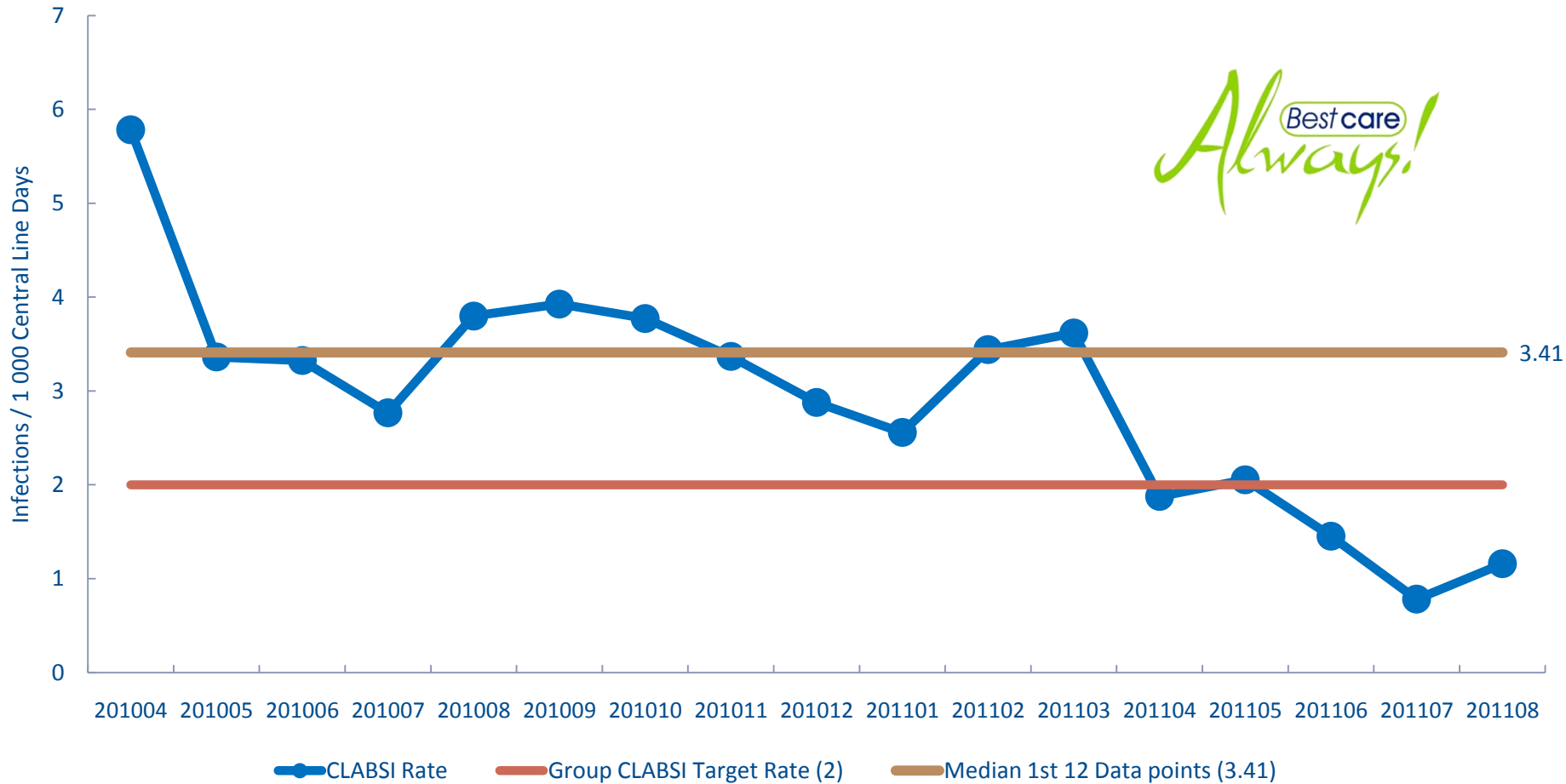
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Discovery Health model leverages significant health analytic capability

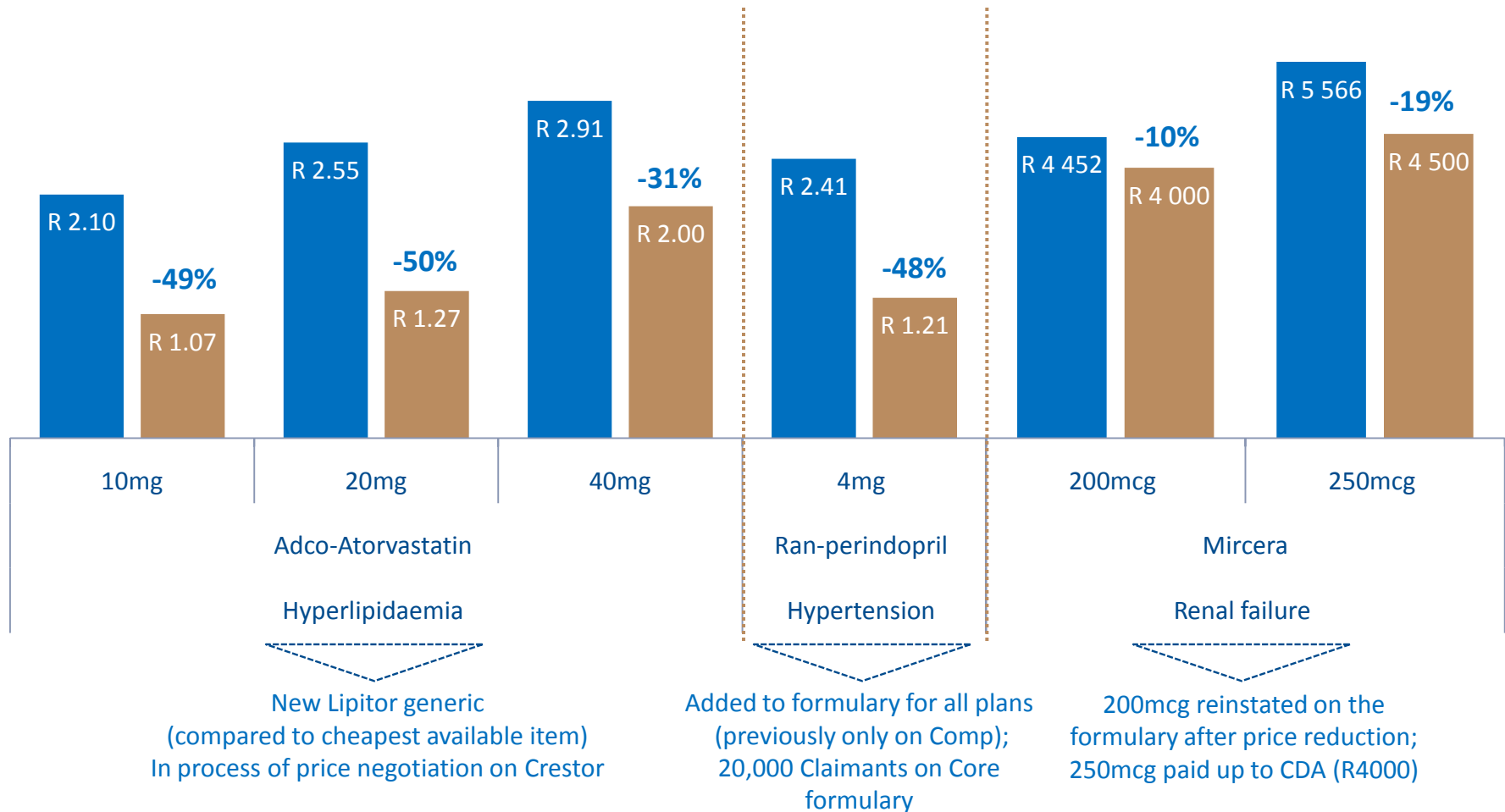




Central line infection rates (Infections per 1 000 Central Line Days)



Impact of medicine list and CDA on drug price negotiations in 2012

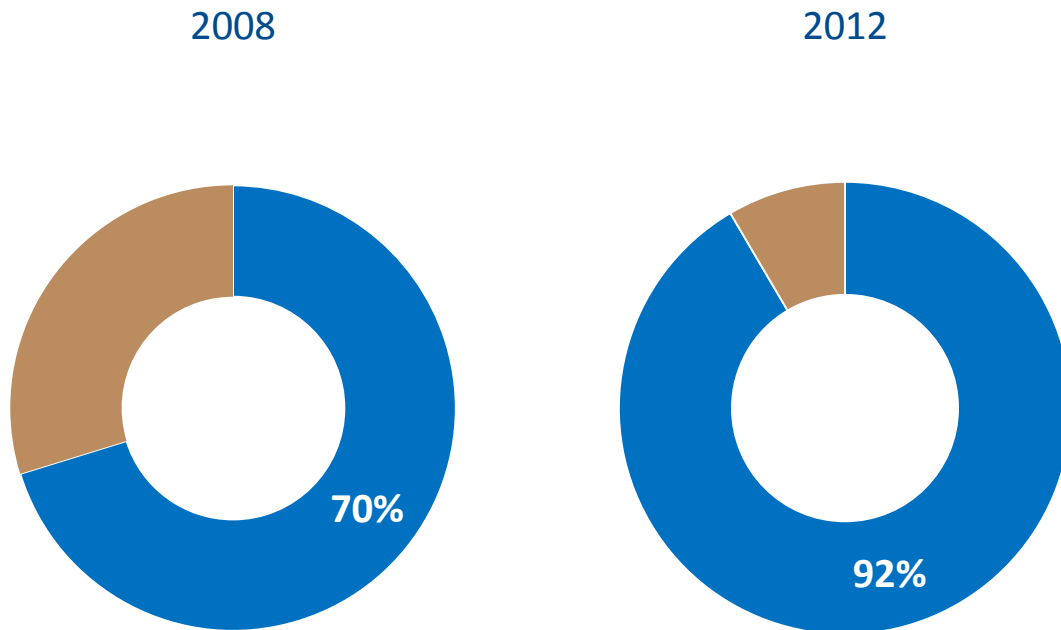


The CDA is used as a tool to negotiate further discounts and is reduced only if discounts are achieved; CDA is set at a level to ensure full cover for generics or therapeutic equivalents

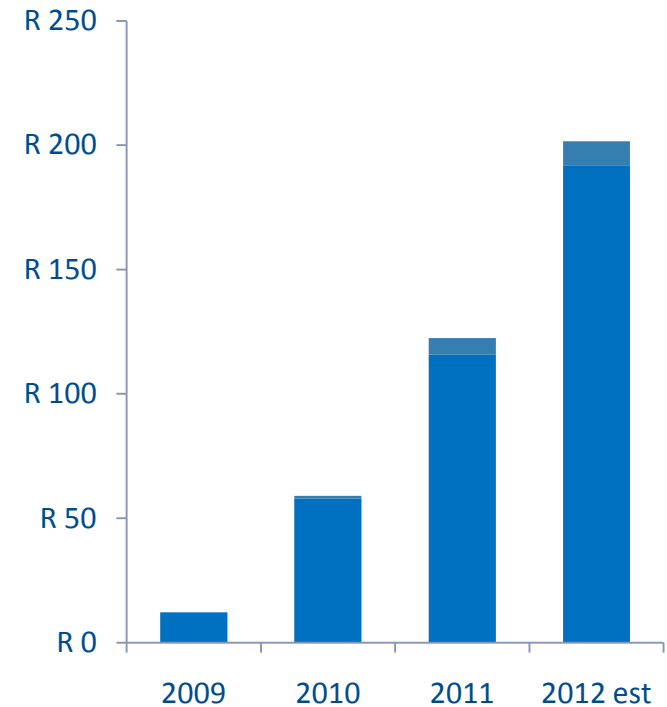
Using health analytics to drive quality and efficiency improvements

Case study: Impact of price negotiations and generic usage

Generic utilisation where a generic equivalent is available (Drug class: Statins)



Cumulative savings since 2008 (Due to increased generic usage and price negotiations - Statins R'm)

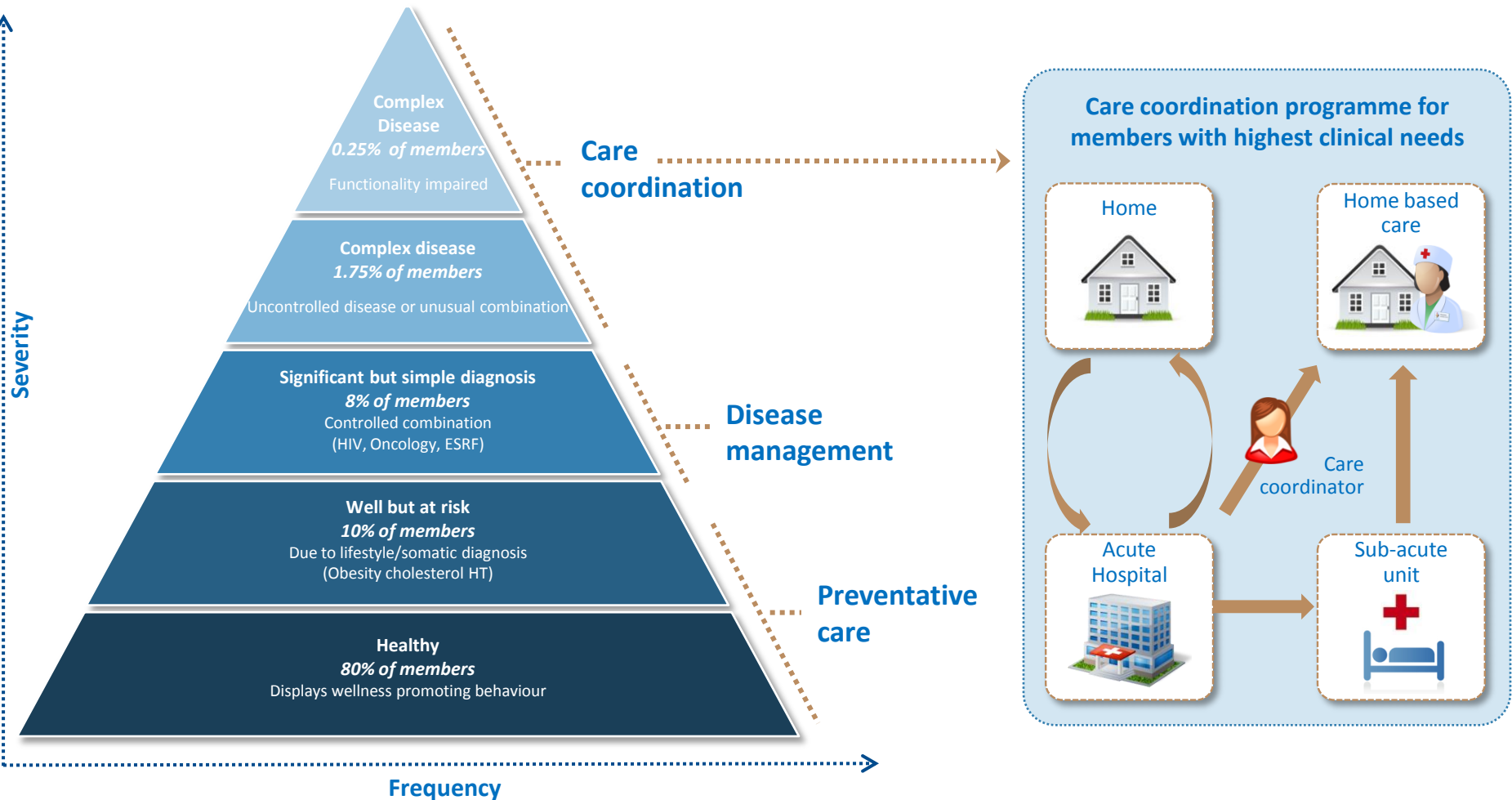


Savings represent 46% of total expenditure on Statins from 2008 - 2012

Using health analytics to drive quality and efficiency improvements

Case study: Member segmentation by clinical severity

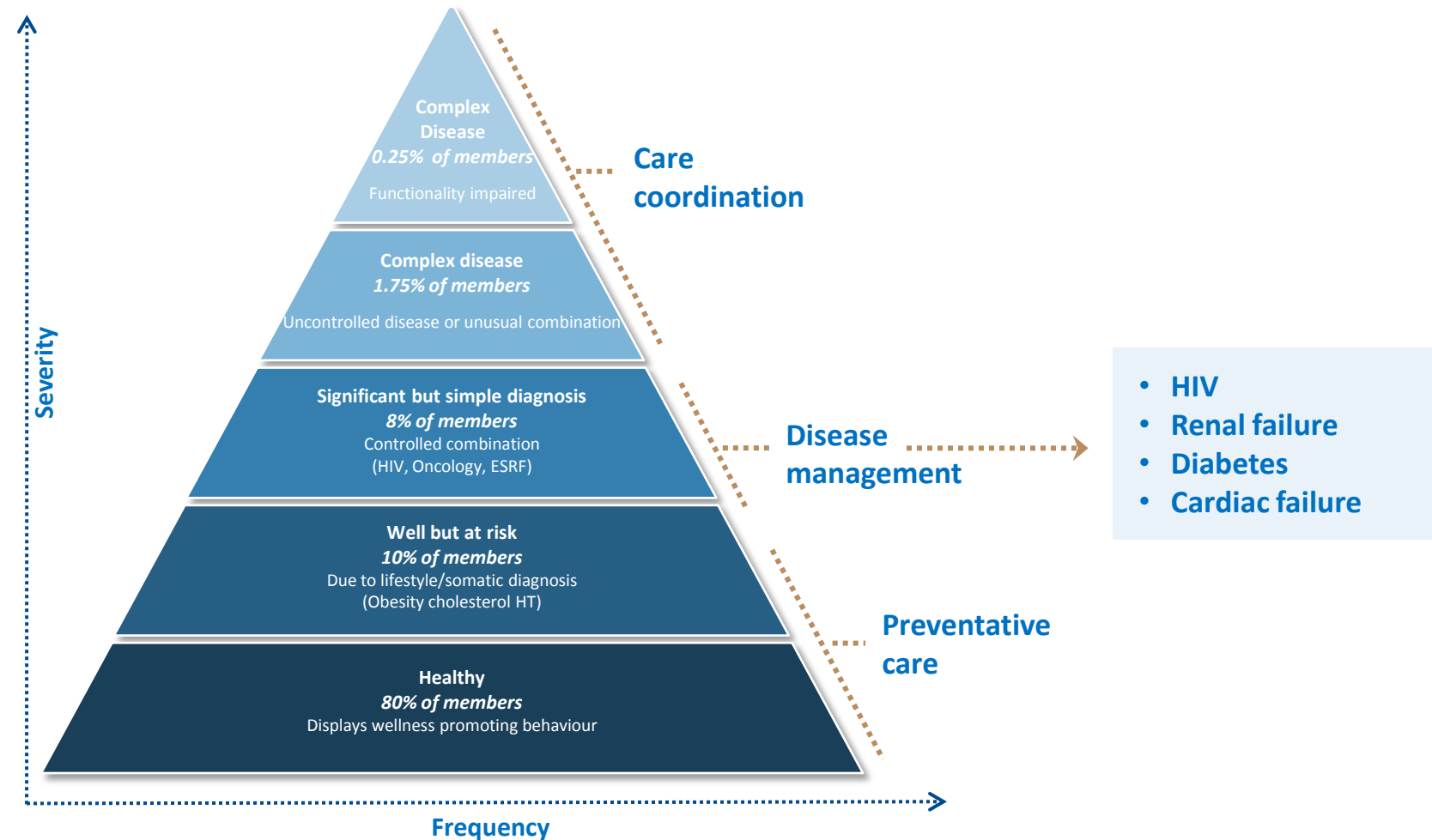
Health analytics facilitates member segmentation by clinical severity



Using health analytics to drive quality and efficiency improvements

Case study: Member segmentation by clinical severity

Health analytics facilitates member segmentation by clinical severity



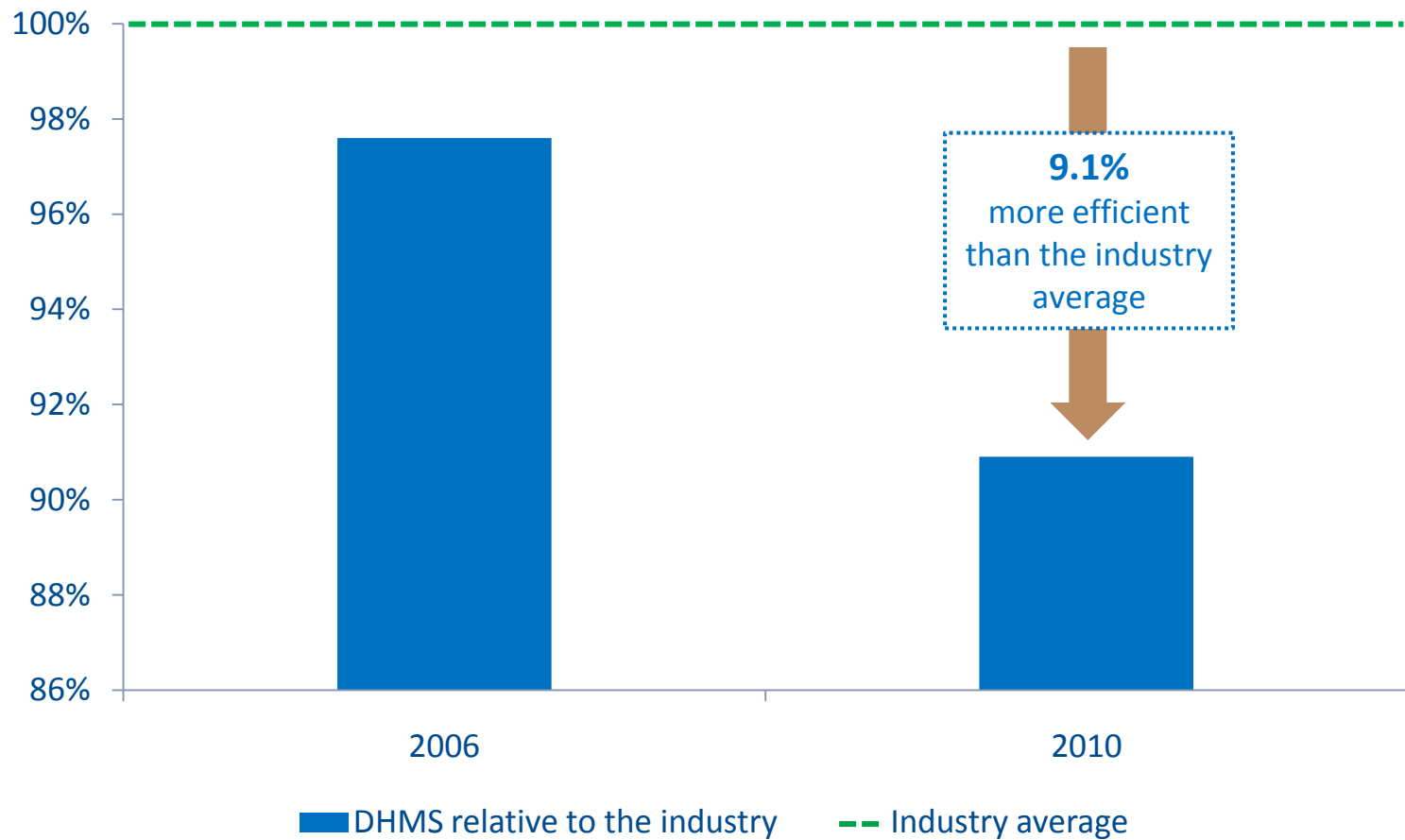
High volume surgery pilot projects: Hip replacements

Length of stay (days)	Current experience
	Pilot program
Theatre time (minutes)	Current experience
	Pilot program
Routine high care (days)	Current experience
	Pilot program
Estimated total cost (Rand)	Current experience
	Pilot program

Using health analytics to drive quality and efficiency improvements

Case study: Impact of hospital price negotiations

Discovery Health hospital cost as a percentage of the industry average

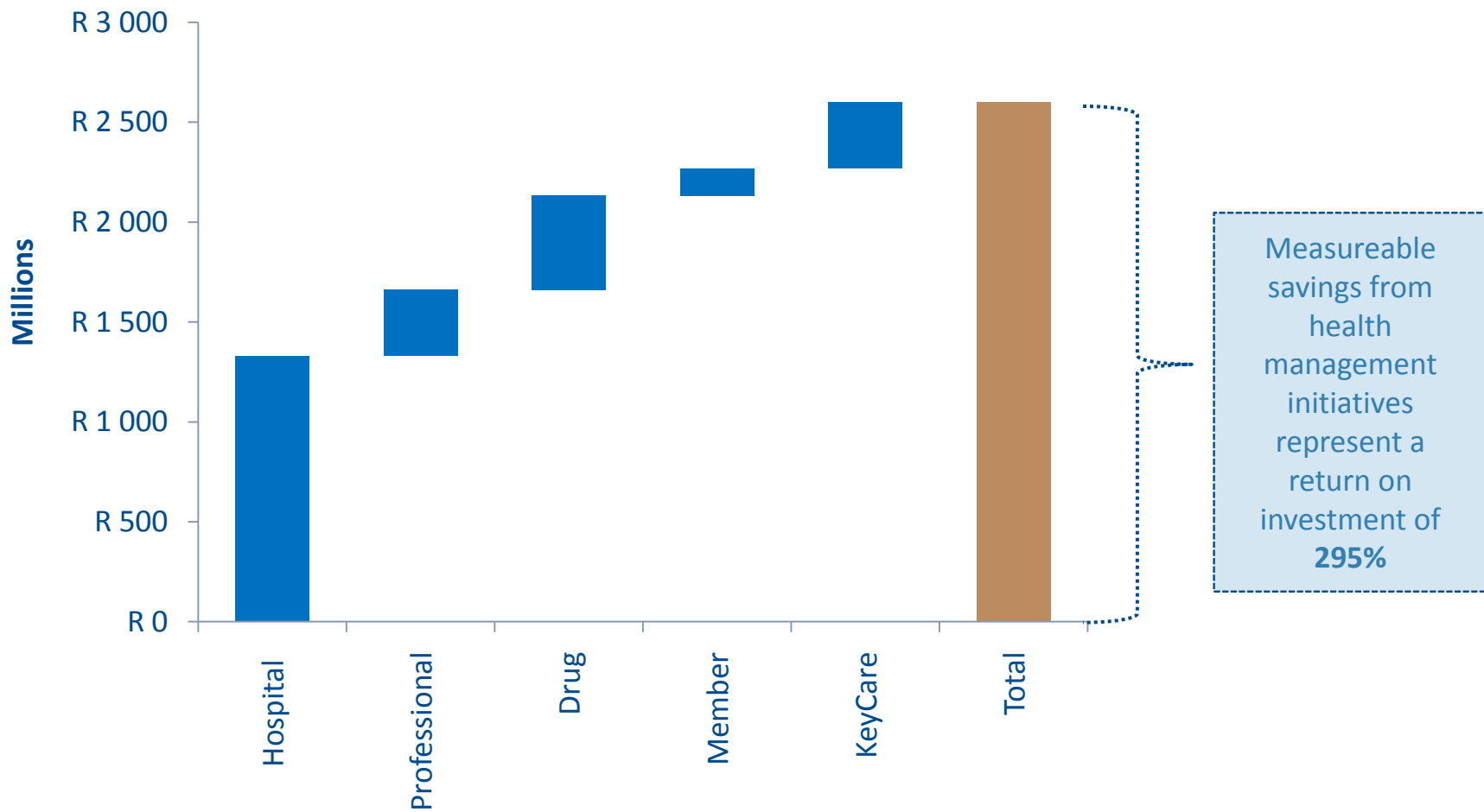


Discovery Health members benefit from significant hospital cost savings relative to other schemes

ROI on managed care and risk management initiatives



Measureable ROI from healthcare management initiatives



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Digitalising the world of Discovery

Updated website for
all stakeholders



Provide convenient access to
relevant information for all
stakeholders

Smartphone and iPad
apps for members



Provide real time access to
information when and where
members need it

HealthID
for doctors



Digitalise the healthcare
system for Discovery
members and doctors

iPad apps for
advisors



State-of-the-art tools which
facilitate best advice to
clients and seamless
interactions with Discovery

 Insert live demo by Jonny

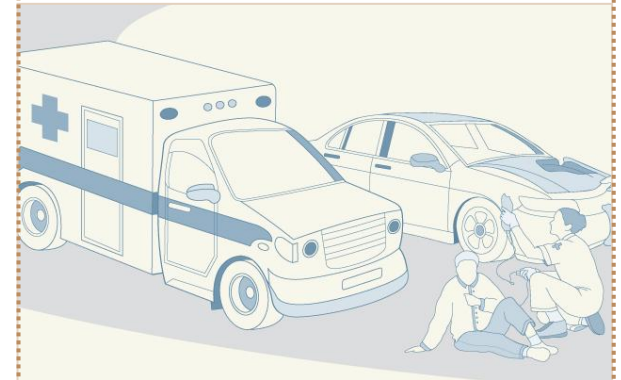
Activate Emergency HealthID™

Place unique identifier in easily accessible locations

Paramedics have real time access to your HealthID™ in an emergency



- Unique QR code identifier to be rolled out to all members
- Upon activation, upload:
 - Photo IDs
 - Next of kin details
 - Allergies
 - Other details



- Immediately gives emergency personnel access to individual details via HealthID™ and confirms membership

Use all social media channels to engage with clients



57,000 Discovery Vitality fans

What's next?



Over 3,000 followers



Gabrielle Rosario @gabyrosario

1h

When in doubt, tweet about it. Had a response within minutes from @discovery_SA executive team to resolve. Thank you.

Change the way our clients experience and interact with the healthcare system



Going to hospital

Visiting a doctor

Ordering medicine

Online tools guide members to full cover providers

Discovery Hospitals Xpress Discovery Health

Hospital Advisor

Welcome Karen

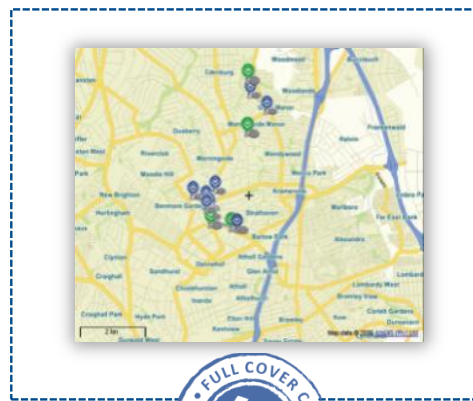
You are on the Classic Delta Core Plan

Your hospital: Morningside Medi-clinic

Your treating doctor: Dr. Smith

Your procedure: Hip replacement

We'll cover in full, based on your choices



Med Advisor

Welcome Karen

Your medicine: Drug A

Provider: Med Xpress

Total cost	We cover	You pay
R224.95	R200	R24.95

Advisor: Use a generic medicine and Xpress for your approved chronic medicine and we'll cover it in full.



Services provide an exceptional experience



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Wellness is at the forefront of healthcare issues globally

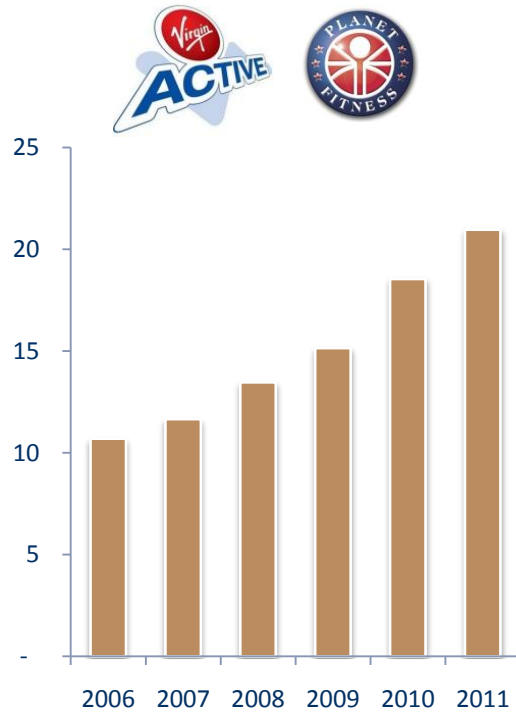


“Getting on the treadmill. A South African company has some bright ideas for promoting health”

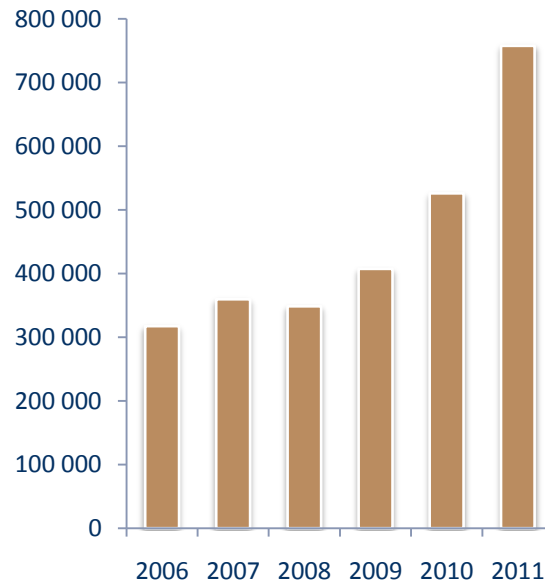


The impact of the Vitality programme

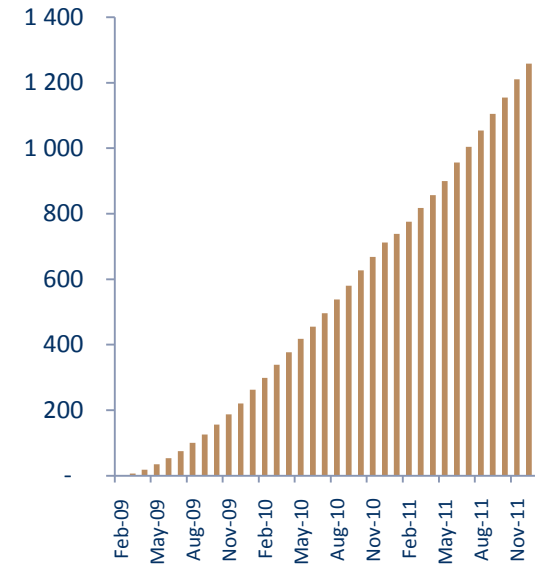
Gym visits
(million, calendar year)



kulula.com flights
(calendar year)



Cumulative HealthyFood spend
since launch (Rm)



HealthyLiving™ in action

HealthyLiving™ performance metrics



264 000

Benefit activations

R1,4bn

Spent on HealthyFood items

R294m

Paid in cashback rewards



79 000

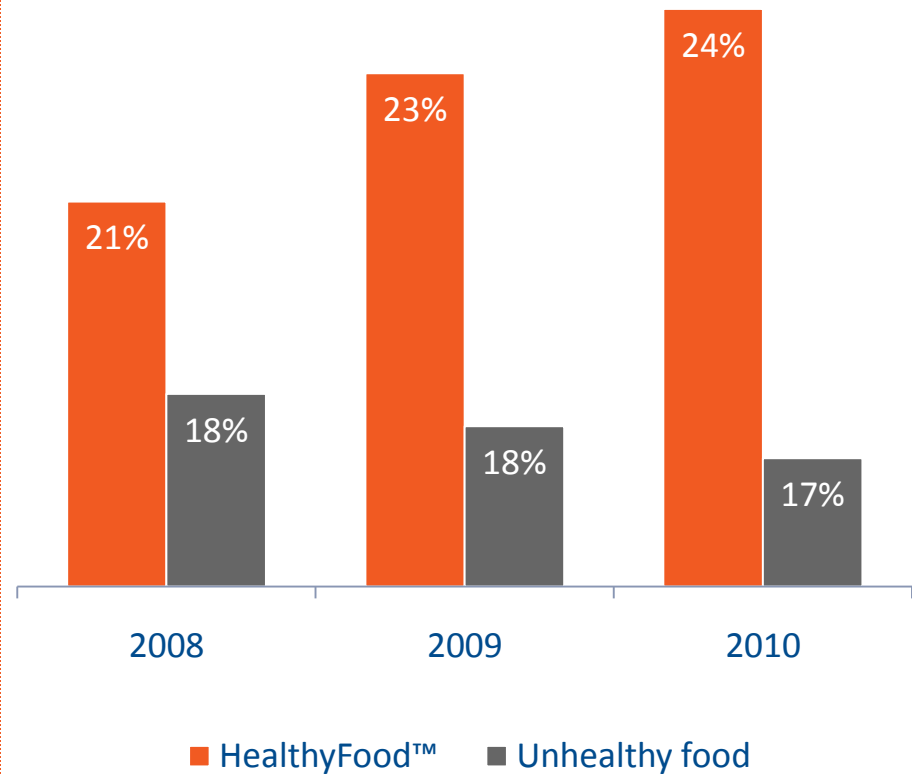
Benefit activations



45 000

Benefit activations

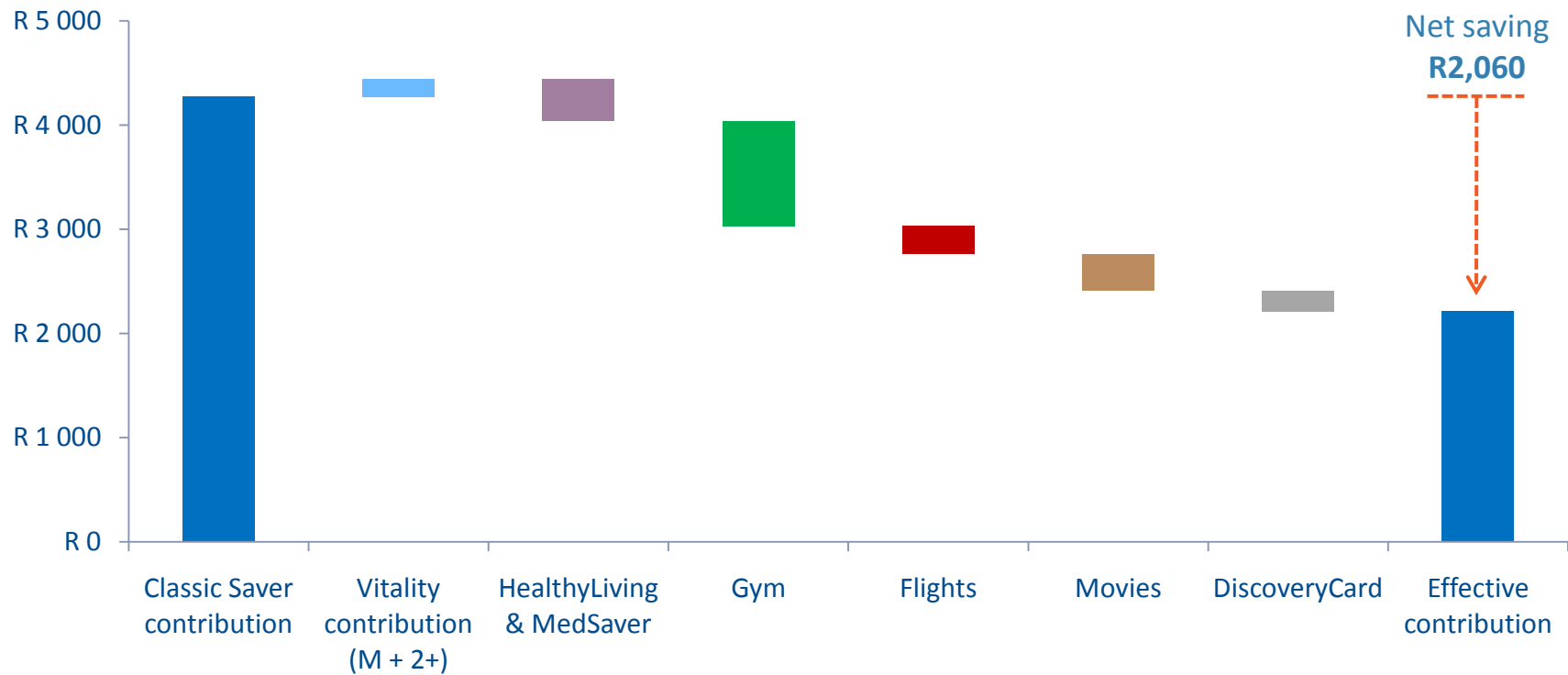
Case study: Impact of HealthyFood on nutrition



The impact of Vitality

Vitality offers a compelling value proposition to members engaged in their health

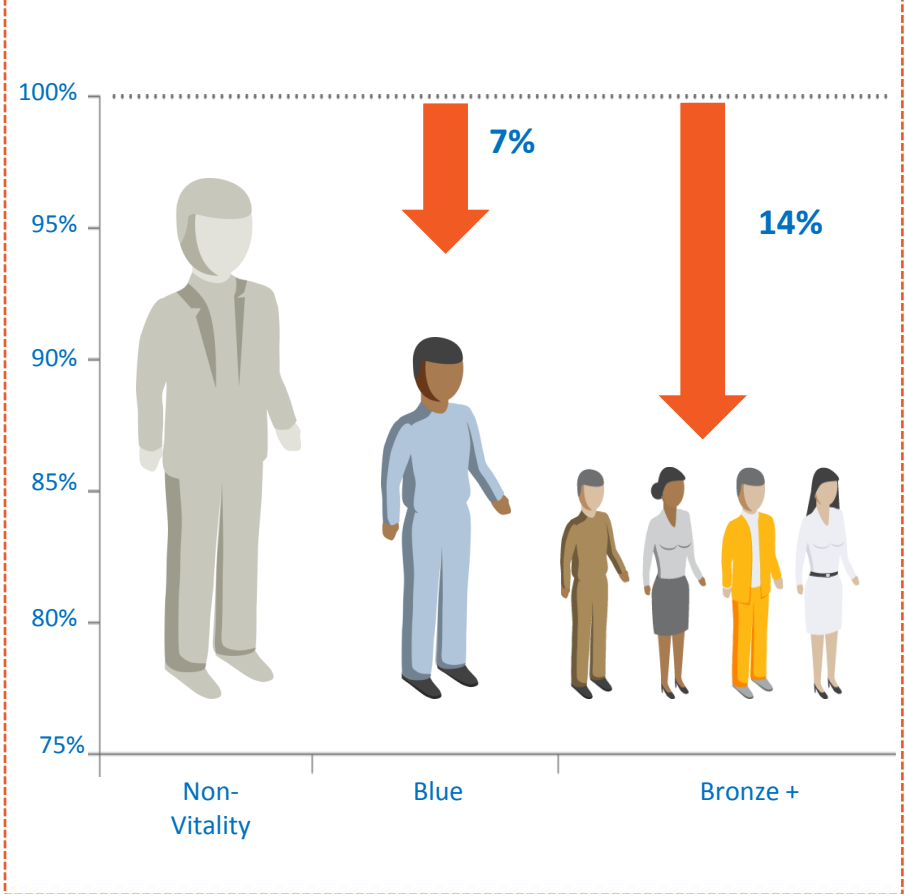
Case study: Family of four on Classic Saver



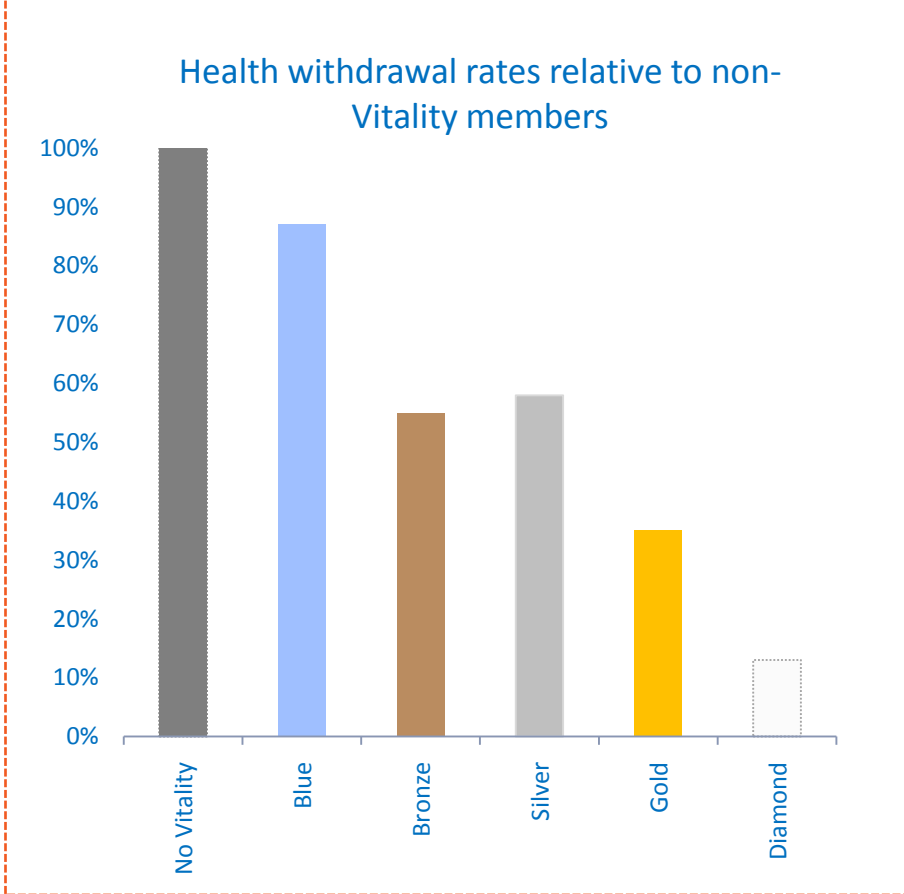
The impact of Vitality



Engaged Vitality members experience lower healthcare costs



Engaged Vitality members display significantly better persistency



Vitality is critical to the long term sustainability of the medical scheme

Discovery Health strategies



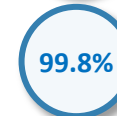
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2. Optimise the benefit design and innovate to provide access to the latest medical technologies for those with the highest clinical needs



Members receiving treatment for cancer



Cover ratio for oncology treatment



3. Use our health analytic assets to improve the quality of care and eliminate inefficiencies in the healthcare system



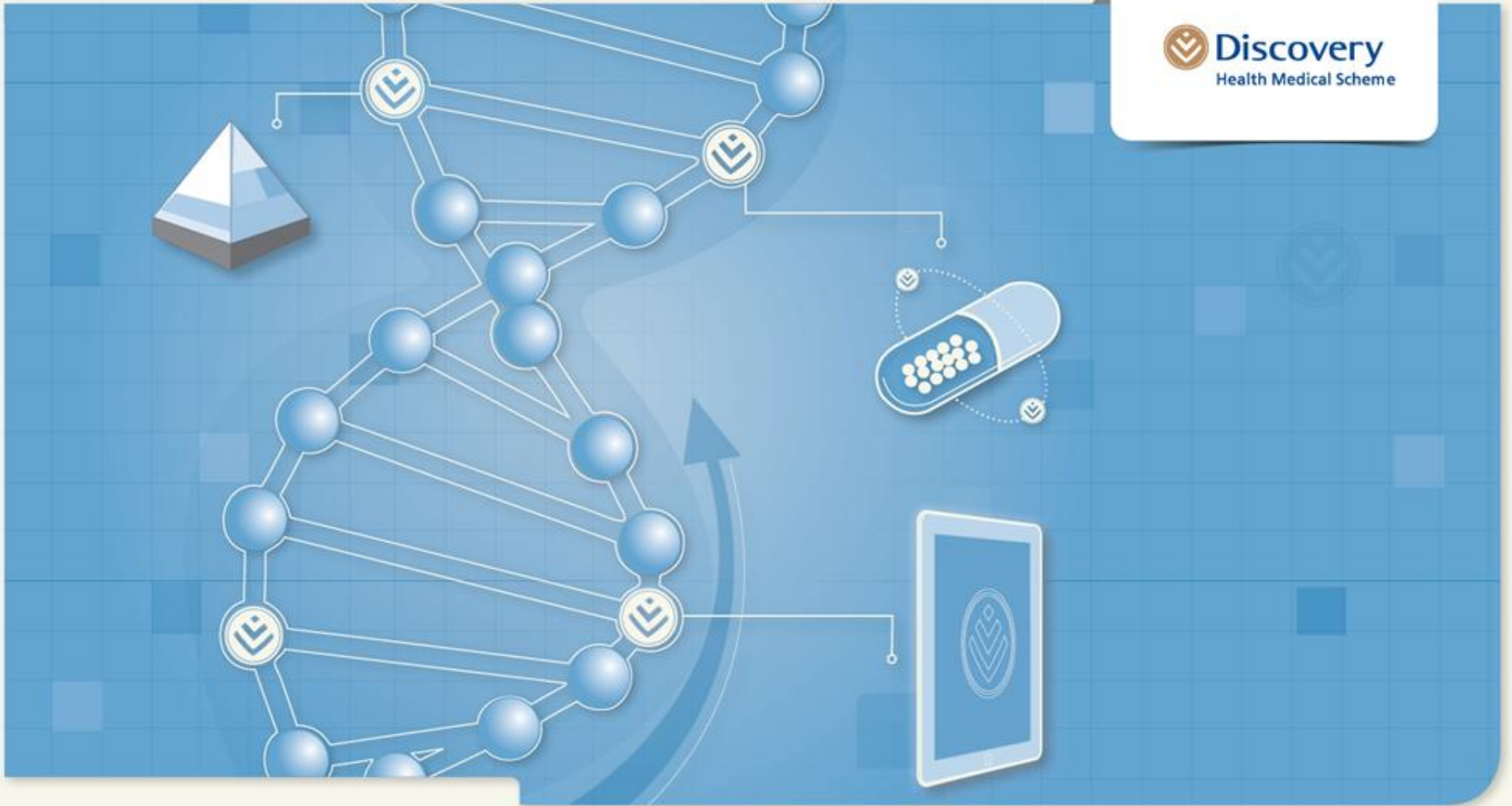
HealthIQ

4. Leverage our scale and the latest digital platforms to change the way our clients experience the healthcare system



5. Make Vitality an integral part of everyday life for our members





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Discovery Health trends and strategies

Dr Jonathan Broomberg, CEO Discovery Health