

DISCOVERY HEALTH MEDICAL SCHEME

MINUTES OF THE 14TH ANNUAL GENERAL MEETING OF THE DISCOVERY HEALTH MEDICAL SCHEME

WHERE AND WHEN

The Auditorium, Ground Floor, 155 West Street, Sandton
Thursday 15 May 2008 at 14:00

PRESENT

The attendance register is attached and form part of these minutes. 71 people, including members, trustees, members of the audit committee, auditors and other interested parties attended and signed the attendance register. 7 of these members did not supply any medical membership numbers.

1. Welcome and quorum

The chairman, Adv Mike van der Nest, welcomed everyone present at the 14th annual general meeting (“AGM”) of members of the Discovery Health Medical Scheme. The chairman declared that in terms of rule 25.1.1. there are more than 15 members present and therefore constitutes a quorum. The meeting was declared properly constituted and was declared open.

The chairman explained the roles and relationship of the trustees, the members and the administrator to the meeting and indicated the independence between the trustees and the administrator. It was noted that all the trustees, with the exception of Prof Barry Jacobson, were present. The trustees, with the help of the Principal Officer, act on behalf and in the best interest of the members.

The chairman presented the agenda to the members and proposed that it be accepted with no change. Mr Johan van Rooyen approved and Mr Shaun Osner seconded the proposal.

2. Confirmation of the minutes of the 2006 AGM held on 10 May 2007

The Chairman proposed that the minutes of the 13th AGM of the members of the Discovery Health Medical Scheme held on 10 May 2007 be confirmed. A draft copy of the minutes was submitted to the board of trustees who expressed the opinion that the minutes were an accurate reflection of the proceedings of the AGM held in 2007. The draft minutes had also been put on the website for the information and use of members in general. Dr Broomberg approved the minutes and Mr Stipp seconded the proposal.

3. Tabling of the annual financial statements

The chairman said that before he asks for the approval of the trustees report and the annual financial statements he would want Mr Mathekga (Principal Officer) and Mr Neville Koopowitz (CEO of Discovery Health (Pty) Ltd) to give the meeting more background on the year-end review as well as the strategies going forward for the Scheme.

The Chairman thanked Mr Mathekga and Mr Koopowitz for the informative presentations.

The Chairman proposed that the report of the trustees and the annual financial statement be tabled and accepted. Mr van Rooyen approved the proposal and Mr Peddle seconded the proposal.

Mr Lapidus thanked the trustees for the contribution that Discovery had made to the overall medical environment.

4. Appointment as auditors

The chairman proposed that PricewaterhouseCoopers Inc be appointed as the auditors for the ensuing year. Mr Osner approved the proposal and it was seconded by Mr Stipp.

5. General

The chairman said that the Principal Officer had received a few motions which he wanted to address before the floor was opened for general discussion.

A member had submitted a number of questions relating to generic and “original” medicines which can be summarised as follows:-

- ✚ What was the number of medicine claims for the three calendar years and what was the trend?
- ✚ What are the corresponding answers to the above question pertaining to generic medicines?
- ✚ What are the ratios for the above two questions?
- ✚ How many members made claims for non substitutionable medicines in the last year?
- ✚ If the use of “original” medicines would be introduced, what would the affect be on contributions?
- ✚ What portion of contributions is put aside to reach the 25% solvency ratio for the 2008 financial year?
- ✚ Could the excess contribution to reach solvency be used in the new year to fund better medicine benefits?

Dr Broomberg said he would only try to answer the questions at a high level but that a detailed answer would follow in writing to the member who raised the questions. Dr Broomberg said that 13% of medicine claims has no products which could substitute the medicine that was prescribed. Should the co-payment on non-generic medicine be scrapped it was estimated that the increase in costs to Scheme should range between R51 million to R120 million per year. Solvency would be negatively affected by 1% to 2%.

Mr Mario Compagnoni had raised a few questions which were summarised as follows:-

- ✚ To what extent did Discovery discover and take part in the recent rebate event with hospitals which was covered in the press? Mr Compagnoni also referred to the very frustrating referral system in place in the medical industry.
- ✚ What are the benchmarks, comparatives, competitiveness, service offering and transparency of the administrator when looking at the fees paid?
- ✚ How can broker fees be reduced especially in the case where a member does not use a broker?

Dr Broomberg said that he would agree that in the private healthcare system there is built in waste and bad efficiencies and the team at Discovery looks into this on a continuous basis. There are general constraints with the biggest being a shortage of specialised knowledge. On the use of brokers Mr Kallner said that the Medical Schemes Act regulates the use of brokers and does not allow discounted contributions when a broker is not used. Mr Kallner also said that the Scheme had over the last three years closed the gap between the contribution payable by a principle member and a spouse and the contributions would soon be equal. Mr Mathekgga said that a comprehensive reply would be addressed to Mr Compagnoni in due course.

The chairman declared the floor open for general questions. Mr Ryan Ellinas enquired on the rationale behind split billing where the member was reimbursed with the Discovery rate and the member was liable to pay the doctor. Mr Koopowitz said that in the established network area doctors are paid directly by Discovery. Where doctors choose to not join the network they do this at their own choice with the knowledge that they will need to recover fees from the patient directly. Dr Broomberg said that the duty was on the Scheme to keep charges at a level which are sustainable to members and the network helps in achieving this.

Mr Campbell said that he had problems at times with getting answers from the call centres and they also do not allow him to escalate his questions higher up in the organisation. Mr Campbell said that he further had a problem with the principle of having to pay a R1,200 co-payment in the event of an out-of-hospital incident while travelling overseas. Mr Campbell said that he had raised this question in writing to Mr Gore and no reply was ever received. Mr Kallner said that the benefit was changed last year when the co-payment was introduced. The change was a direct result of the VISA requirements of countries that was then introduced.

The benefit was changed at a cost neutral basis to the scheme and also with the approval of the Embassy's concerned. Mr Kallner said that management was comfortable that the change met the requirements of transparency, was equitable in terms of the cover provided to members and from a financial perspective was cost neutral to the Scheme. Mr Kallner said that should Mr Campbell feel that the moral justification was questionable, he would refer the matter to the Moral and Ethics committee that had been created within Discovery. Mr Campbell was of the opinion that Discovery was not able to convince him of the moral grounds of the decision to introduce the mentioned co-payment. Mr Gore said that he apologised if it appeared that he refused to answer Mr Campbell and invited him to a conversation after close of the meeting.

Mr Verity enquired what the stance of Discovery was against collusion. Dr Broomberg said that management was aware of this and was working on this continuously. The relationship with hospital groups had improved substantially over the past few years and Discovery was now collaborating with the hospital groups.

Ms Zubrinic enquired when Discovery would consider funding homeopathy medicines. She also asked to see Mr Gore after close of the AGM. The chairman reminded members that should they have any queries they should contact the office of the principal officer Mr Mathekga. Mr Gore again apologised for being perceived to not be available to members. He pointed out that a department was in existence that dealt only with escalated claims and that it should be noted that Discovery has a culture of always being available to help answer questions that members may have. Dr Broomberg said that homeopathic professionals who have practice numbers are regarded as practitioners and benefits are recognised under certain plans.

Mr Compagnoni complimented Discovery on the quality and improvement of the call centre but warned that some agents seem to interrupt the conversation when they think they have an answer to a query. He also enquired on what could be done to encourage members to stay healthy. Mr Koopowitz replied that the Medical Schemes Act prohibited any rewards for staying healthy. However Discovery did introduce the Vitality program which was considered very successful.

Mr Compagnoni and two other members had some technical questions on the difference between certain plans as well as the definition of chronic medicines and Prescribed Minimum Benefits which management replied on.

There being no further questions, the chairman thanked all those who attended the meeting and declared the meeting closed.

Confirmed a reasonable reflection of the discussions at the meeting.

CHAIRMAN