

# DHMS CONTRIBUTIONS UPDATE | 2021



**2021**

DISCOVERY HEALTH MEDICAL SCHEME  
CONTRIBUTIONS INCREASE

## FREQUENTLY ASKED QUESTIONS

## The 2021 Contribution Freeze and deferred contribution increase

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### How did Discovery Health Medical Scheme determine the 5.9% contribution increase?

The 2021 contribution increase reflects the anticipated healthcare utilisation experience expected for 2021, and its impact on total healthcare claims. These factors include:

- Tariff inflation for 2021 which was set at 3.3% in 2020 based on projections of the prevailing Consumer Price Inflation (CPI) rate for 2021. Healthcare claims in 2021 have already increased in line with tariff inflation.
- The second COVID-19 wave and the more infectious variant resulted in 50% more infections than the first COVID-19 wave. The additional healthcare demand for managing COVID-19 waves contribute an additional 3% to medical inflation in 2021.
- The cost of procurement and rollout of COVID-19 vaccines for all members of Discovery Health Medical Scheme is expected to increase healthcare demand by 2% in 2021.
- The net impact of the decrease in non-COVID-19 demand occurring during peaks of the pandemic is substantially offset by the latent return of non-COVID-19 demand and supply expected from Quarter 3 2021. The net impact of these offsetting factors reduces medical inflation by 0.9% for 2021.
- In addition the impact of Vitality and Discovery Health's advanced risk management techniques is estimated to reduce medical inflation by 1.5% over 2021.

Contributions for 2021 must increase to match the expected increase in healthcare claims for 2021. Accounting for each of the above factors results in an increase in contributions of 5.9% for 2021.

Through the Contribution Freeze, DHMS members will only pay the higher contribution rate from 1 July 2021, resulting in a weighted average increase in contributions of only 2.95% for 2021.

### What is the difference between my 5.9% contribution increase from July 2021 and the annual weighted average contribution increase of 2.95%?

The monthly contributions for all DHMS members will increase by 5.9% from 1 July 2021. However, the total contributions paid by a member over the full year 2021 will have only increased by 2.95% when compared to the total contributions paid over 2020, due to the Contribution Freeze. Members will therefore only experience an increase of 2.95% in contributions paid across 2021, relative to 2020, known as the weighted average contribution increase.

The example below illustrates the total contributions paid by a single member on a DHMS Classic Saver policy in 2020 and 2021, and the overall 2.95% weighted average increase as a result of the DHMS Contribution Freeze:

Period	2020		2021		Percentage Increase
	<i>Monthly contribution</i>	<i>Total Contribution</i>	<i>Monthly contribution</i>	<i>Total Contribution</i>	
Jan – June	R3 290	R19 740	R3 290	R19 740	0%
July – December	R3 290	R19 740	R3 485	R20 910	5.9%
<b>Total Contributions paid for the year</b>		<b>R39 480</b>		<b>R40 650</b>	<b>2.95%</b>

- The Contribution Freeze means that a single member will pay the same level of monthly contributions for the first 6 months of 2021 as they did for 2020. For a Classic Saver plan the monthly contribution are R3 290 from 1 January 2021 to 30 June 2021.
- This member would therefore pay a total of R19 740 for their contributions from January 2021 to June 2021.
- In July 2021, contributions will increase by 5.9%. The member now pays R3 485 for their Classic Saver plan per month with total contributions from July 2021 to December 2021 amounting to R20 910.
- By the end of 2021, the total contribution paid by the member from January to December will then be R40 650 (R19 740 + R20 910).
- The total contribution paid by a single member in 2020 was R39 480. The total contributions that will be paid by a single member in 2021, for the same plan, will be R40 650. This represents an annual increase in total contributions paid of 2.95% between 2020 and 2021.

### **Why did Discovery Health Medical Scheme not simply implement a 2.95% increase for the full year, starting 1 January 2021?**

The economic impact of COVID-19 has reduced the average income of South Africans by 26%, placing substantial financial pressure on members during a time where access to private healthcare is highly valued.

Through the 2021 Contribution Freeze Discovery Health Medical Scheme members:

- paid lower 2020 contribution rates for the first six months of 2021, while all benefit increases and enhancements were effective from 1 January 2021, cumulatively saving members R2.2 billion in lower contributions over the first six months of 2021.
- with contributions having not changed since 1 January 2020, DHMS members have not experienced a change in contributions over the last 18 months with DHMS. This has led to lower withdrawals and improved persistency levels over year-end 2020.

- By deferring increases to July 2021, salary increases and expected economic recovery are aligned with the 2021 increases in contributions, better enabling members to retain existing levels of healthcare cover without being forced to downgrade their plans due to affordability constraints.
- Additionally, with an added 6 months of healthcare utilisation data to determine healthcare claims levels over 2021, the mid-year increase is better aligned with healthcare inflation for 2021 and ensures that the Scheme can offer affordable contribution increases in 2022 and beyond, which are expected to be below market averages.

### **Why are Discovery Health Medical Scheme contribution increases expected to be below market averaged in 2022?**

Most medical schemes have already set contributions based on the temporarily reduced healthcare demand caused by the COVID-19 utilisation discontinuity. Over the course of 2021, members are expected to access healthcare services in excess of pre-COVID-19 levels due to:

- The return of non-urgent elective care deferred during the pandemic
- Longer-term effects of non-pharmaceutical interventions and deferred care, including increased prevalence of mental health conditions and the complications associated with lower levels of preventative care.

We have already seen indications of the return of latent non-COVID-19 demand in 2021, with healthcare claims returning and expected to increase beyond pre-COVID-19 levels in 2021. Contribution increases in 2022 will have to account for the 2021 latent non-COVID-19 demand, in addition to allowing for medical inflation in 2022. The 5.9% contribution increase is better aligned to healthcare utilisation experience expected over 2021, and partially accounts for the return of latent non-COVID-19 demand already experienced this year.

DHMS' future contribution increases will therefore require a lower contribution adjustments than other medical schemes in the market, creating smoother contribution increases for members in 2022 and beyond.

### **Does the 5.9% contribution increase apply to all DHMS plans?**

Yes

### **Benefit adjustments related to the deferred increase**

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#### **Will mid-year plan changes be allowed in 2021 due to the mid-year increase?**

Members will have the opportunity to upgrade their plan with effect on 1 July 2021, as a concession for 2021.

Upgrade requests can be processed on the Financial Adviser Zone from 14 May 2021. All mid-year upgrade requests must be submitted by 15 June 2021.

### By how much will my Medical Savings Account increase at 1 July 2021?

All members on plan options with a Medical Savings Account will have a 5.9% increase in their MSA contributions and enjoy a corresponding increase in their MSA balance from 1 July 2021.

Period	Total Monthly Contribution	MSA Portion of Monthly Contribution
Jan – June	R 3 290	R 822
July – Dec	R 3 485	R 871
<b>Total MSA for 2021</b>		<b>R10 158</b>

<b>Total MSA allocation for the year from 1 January 2021</b>		<b>R9 864</b>
<b>Increase in MSA from 1 July 2021</b>		<b>R294</b>

The example below illustrates the impact of the increased MSA allocation for a Classic Saver single member in 2021:

- From January to June 2021, a Classic saver member would contribute R822 per month to fund their MSA.
- From July to Dec 2021, a Classic saver member would now contribute R871 per month to fund their MSA as a result of the 5.9% contribution increase
- After 6 contributions of R822 and 6 contributions of R871, a Classic Saver member would have contributed R10 158 for the year towards their MSA
- Prior to the mid-year contribution increase, a single member's 2021 starting MSA balance on a Classic Saver plan is only R9 864.
- A Classic Saver member would therefore have an additional R294 increase in their MSA from 1 July 2021

### If I am currently in the Self-Payment Gap (SPG), how will the additional MSA allocated on 1 July affect it?

While in the SPG, members will be able to use the additional MSA funds until the MSA is depleted or members reach their Annual Threshold limit at which point the remaining MSA will be carried over to the next year or used for claims that are not covered by the Above Threshold Benefit.

### Will the thresholds on the Annual Threshold Benefit increase from 1 July 2021?

The threshold on the Above Threshold Benefit, will not be increased on the 1<sup>st</sup> of July 2021 as they were already increased on the 1<sup>st</sup> of January 2021.

**If a member has already reached their threshold on the Annual Threshold Benefit before 1 July, will claims be paid from their new MSA balance?**

No, members that have reached their Above Threshold Benefit (ATB) before 1 July 2021 will remain in their ATB and continue to access the associated risk funded benefits. The additional Medical Savings Account allocation will be carried over to the next year or can be used for healthcare expenses not funded from the member's ATB in 2021.

**Why are benefit limits not increasing by 5.9% from 1 July 2021?**

Co-payments, deductibles and most benefit limits were already increased on 1 January 2021, and therefore do not require a further increase.

**Will the KeyCare income bands be increased in July 2021?**

Changes to KeyCare income bands will fall into the normal cycle and be reviewed as part of the 2022 Contribution increase. KeyCare income bands will therefore not increase in July 2021. Note that the KeyCare income verification process is currently underway and submissions for income verification close on 31 May 2021.

**Operational rollout of the 2021 deferred increase**

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**How will members be notified of the 2021 increase?**

From mid-May 2021, members will receive communication from Discovery Health Medical Scheme detailing:

- their chosen health plan's updated contribution for July 2021
- the specifics of the mid-year increase to their contributions
- changes to available plan components if applicable (e.g. increases in Medical Savings Account)
- the opportunity to upgrade their plans, effective 1 July 2021 including all operational details relating to plan upgrades.

**When will my employers receive communication regarding the mid-year contribution increase and the vaccination programme?**

From mid-May 2021, employers will be invited to employer webinars covering the following topics:

- 2021 deferred contribution increase
- Discovery Vaccination Programme

They will also receive email communication summarising the details covered in these webinars.

**Where can I apply for an upgrade for my client's plan?**

Financial Advisers will be able to change their client's plans on the Financial Adviser Zone from the 14<sup>th</sup> of May 2020 to the 15<sup>th</sup> of June 2020. If you are experiencing any difficulties with this process, please contact your Corporate Health Manager or Servicing Specialist.

## Limited Special Offer

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### Arrears Billing Special Offer

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#### **How do my clients get 60 days contribution relief through the arrears billing offer?**

New members joining DHMS before 30 June 2021 can opt for arrears billing as part of the new business process.

Opting for arrears billing allows your clients to pay their contributions at the end of their month of cover.

This offer would allow your clients to have up to 60 days contribution relief between their last contribution payment (to another medical scheme), and their first contribution payment to DHMS.

The option to bill in arrears or advanced can be selected on the banking details step of SMAD via the Financial Adviser Zone.

#### **Who qualifies for the arrears billing offer?**

This new business offer is available to all new DHMS members joining in their individual capacity with a:

- Date of application: 1 May 2021 to 30 June 2021
- Date of commencement: 1 May 2021 to 1 July 2021.

# DHMS CONTRIBUTIONS UPDATE | 2021



2021

SPECIAL OFFERS

## FREQUENTLY ASKED QUESTIONS



## Limited Special Offers

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Discovery Vitality Special offer

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### **Who qualifies for the three month free Vitality campaign offer?**

The special offer for three months Vitality at no additional cost will apply to all activations up to and including 1 July 2021. The offer will apply to:

- New policies for most medical schemes administered by Discovery Health, including Discovery Health Medical Scheme policies;
- Current health policies that have not experienced/been on the Vitality programme since July 2020; and
- Qualifying Discovery Group Risk members - where at least 50% of the employees of the Discovery Group Risk employer are on Discovery Health Medical Scheme or Discovery Primary Care.

### **Can a member cancel and re-join Vitality to get access to the 3 month special offer?**

No, any member who has lapsed their Vitality membership after 1 July 2020 will not qualify for this special offer, as these members would have already experienced the benefits of Vitality.

### **If a member joins Vitality using the online journey or through the call centre, will they still be able to access the three month special offer?**

Yes, the campaign offer applies irrespective of which channel a member uses to join Vitality, provided the activation date falls between 1 November 2020 and 1 July 2021.

### **Do members get access to all Vitality benefits, including the Apple Watch benefit?**

Yes, however standard waiting periods, benefit activation rules and cancellation clauses apply. For example, a member has to have a qualifying Discovery Bank account to activate the Apple Watch benefit. It should also be noted that this includes a three-month waiting period on travel bookings.

[Read more](#)

### **Will a member need to proactively request cancellation at the end of the 3 month period?**

Yes, members will be notified within two weeks before the free period ends and must provide at least 7 days' notice for the cancellation of the policy to take effect.

### **Will the upfront Vitality commission be calculated on 12 months of Vitality premiums or will the first 3 months be excluded from the commission calculation?**

Advisers will receive the full upfront Vitality commission on the equivalent of 12 months of Vitality premium, despite the first 3 months falling within the free special offer period.

### **How will commission clawbacks be applied for members that lapse?**

The standard clawback structure will be applied. All policies that lapse within the first 24 months of the Vitality activation date (including the 3 month where no premium is paid), will be subject to pro-rated commission clawback.

Discovery Health Medical Scheme, registration number 1125, administered by Discovery Health (Pty) Ltd, registration number 1997/013480/07, an authorised financial services provider and administrator of medical schemes.

Discovery Limited is the licensed controlling company of the designated Discovery Insurance Group. Registration number: 1999/007789/06. Companies in the Group are licensed insurers and authorised financial services providers.

**I am interested in the Vitality Special offer, do you have more details?**

Please [read](#) the full Terms and Conditions on the Vitality Special offer.

Discovery Gap Cover Special Offer

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**How do my clients get their Discovery Gap Cover at no additional cost for three months?**

A member can join Discovery Gap Cover in 3 ways:

- Financial Advisers can use the digital onboarding journey through the Financial Adviser Zone
- Members can sign up directly on the Discovery website
- Alternatively, financial advisers and members can complete a paper application and submit to [application@discovery.co.za](mailto:application@discovery.co.za) or call the Discovery Gap call centre 0860 100 345 (Option 2)

Financial Advisers and members can follow any of these application journeys, if they qualify for the free special offer, they will not be charged for the first 3 months.

**Who qualifies for Discovery Gap Cover for 3 months at no additional cost?**

This offer is available to:

- New and existing members of DHMS who have not previously taken out a Discovery Gap Cover policy, excluding members on DHMS KeyCare plans.
- Applicable on Discovery Gap Core and Discovery Gap Comprehensive
- Policies with a Discovery Gap Cover application date prior to 30 June 2021
- Policies with a Discovery Gap Cover commencement date up to and including 1 July 2021

Standard Discovery Gap Cover applicability rules apply.

**Will Discovery Gap Cover underwriting and waiting periods apply?**

Yes, the standard Discovery Gap Cover underwriting, waiting period and new business process will apply for all new joining Discovery Gap Cover clients. The application process will determine if general waiting periods and condition specific waiting periods will apply.

**Does this mean that new Discovery Gap Cover clients will not pay premiums while in their general waiting period?**

Yes, no premium will be paid for the first 3 months, which is consistent with the general waiting period applied on Discovery Gap Cover policies.

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**Will financial advisers be paid commission during the Discovery Gap Cover special offer where no premiums are paid?**

Yes, standard commission rules will apply. Financial advisers will be paid commission. Standard clawback rules will apply.

**How much commission will be paid while on the offer?**

Commission for Discovery Gap Cover is calculated on a cumulative sliding scale, where the commission is apportioned to the relevant monthly premium band as follows:

Premium band number	Monthly premium band	Applicable commission rate
1	R1 to R299	20% of monthly premium
2	R300 to R600	R59.80 and 15% of monthly premium above R299
3	R601 to R1 200	R104.80 and 10% of monthly premium above R601
4	R1 201 upwards	R164.80 and 5% of monthly premium above R1 200

Please note: value-added tax (VAT) is 14% – if the intermediary is not registered for VAT, do not include it in the calculation.

Example:

Policy details	
Monthly premium	R650 (falls into premium band 3)
Applicable commission rate	R104.80 and 10% of premium above R601
Intermediary VAT Status	VAT Registered

**Monthly commission:**

$$\begin{aligned}
 &R104.80 + [(R650 - R601) \times 10\%] + (1 \times 14\%) \\
 &R104.80 + [R49 \times 10\%] + (1 \times 14\%) \\
 &R104.80 + R4.90 + (1 \times 14\%) \\
 &= \mathbf{R125.06}
 \end{aligned}$$

**How does my client cancel their Discovery Gap Cover policy?**

Should clients choose to cancel within the three-month period they may do so, standard commission rules will apply.

If your client chooses not to cancel after the first three months, their first premium will be debited on the fourth month.

Discovery Vitality (PTY) Ltd. Registration number: 1999/007736/07. Terms, conditions and limits apply. Discovery Gap Cover and Discovery Supplementary Illness Benefit are insurance products. They are not medical schemes and the cover is not the same as that of a medical scheme. These policies, are not a substitute for medical scheme membership. Discovery Gap Cover is a non-life insurance policy, underwritten by Discovery Insure Ltd, registration number 2009/011882/06, alicensend insurer and an authorised financial services provider. Discovery Supplementary Illness Benefit is a life insurance policy, underwritten by Discovery Life Limited, registration number 1966/003901/06. Discovery Life is a licensed insurer, and an authorised financial services and registered credit provider, NCR Reg No. NCRCP3555.

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