



Discovery Health Medical Scheme

**CONTRIBUTION STRATEGY UPDATE 2022**



# Discovery Health Medical Scheme defers 2022 contribution increase to 1 October 2022

In October 2021, Discovery Health Medical Scheme announced that contributions for 2022 will increase by 7.9%, but that the increase will only be effective from 1 May 2022 to assist members.

Subsequent to the announcement, the claims and investment experience of Discovery Health Medical Scheme was better than anticipated. This allows the Scheme to defer the 2022 contribution increase by another five months to 1 October 2022. This will allow your clients on Discovery Health Medical Scheme to enjoy their 2022 benefits at 2021 rates for the first nine months of 2022.

The contribution increase effective 1 October 2022 will remain at the 7.9% level. To ensure that future contributions are sufficient to match future healthcare claims, contributions for all medical schemes must increase in line with medical inflation. Discovery Health Medical Scheme's claims experience continues to show clear indications of medical inflation persisting at 7.9% for 2022.

The deferral of the contribution increase will enable approximately R5 billion in lower contributions across 2022, an additional R2.6 billion more than the initial deferral. Discovery Health Medical Scheme members will therefore experience an effective increase of under 2% in 2022 when compared to their December 2021 rates.

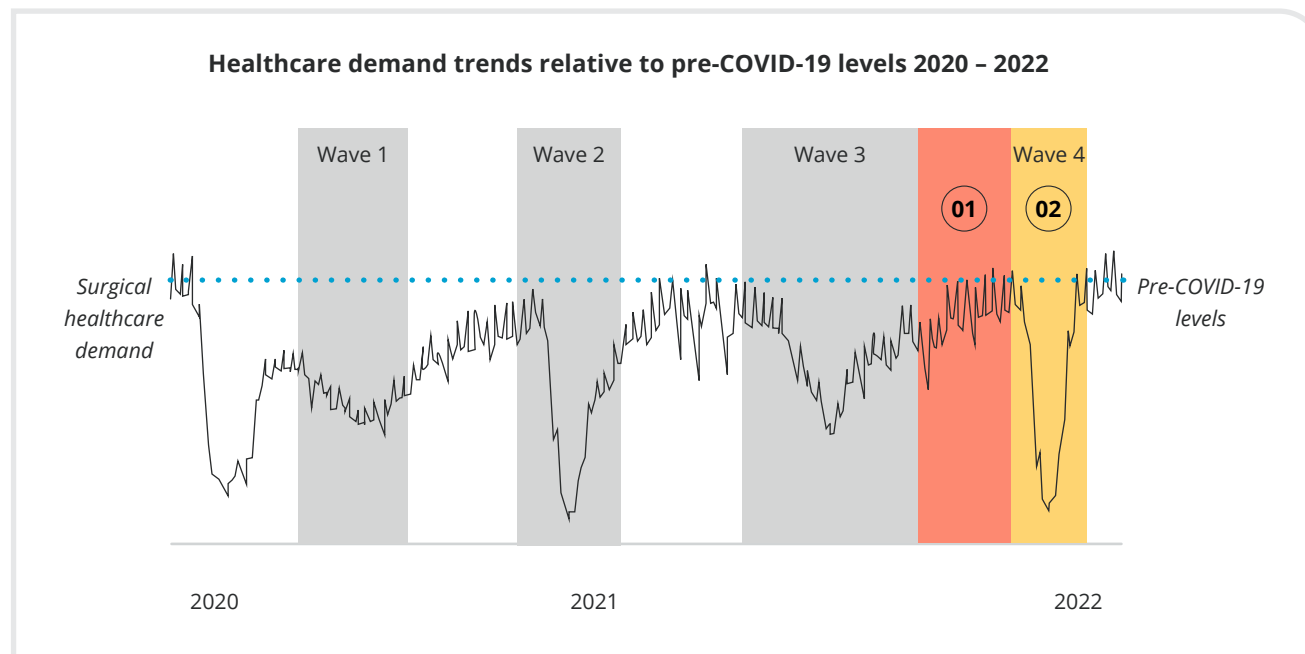


# Improvement in anticipated 2021 year-end Scheme experience

The COVID-19 pandemic has emphasized the importance for medical schemes to react swiftly to changes in healthcare trends. Discovery Health Medical Scheme has recorded temporary deviations to the experience anticipated at the time of pricing. These deviations include:

## **H** Temporary reduction in non-COVID-19 healthcare experience:

- 01 | Between the third and fourth COVID-19 waves in South Africa, healthcare demand shows clear signs of returning beyond pre-COVID-19 levels, albeit at a more graduated rate than anticipated.
- 02 | As healthcare demand exceeded existing levels, the highly infectious Omicron variant spread across South Africa, creating a fourth wave of COVID-19 infections. Uncertainty around the severity of the variant, created a larger utilisation discontinuity than anticipated and temporarily reduced non-COVID-19 healthcare demand.



## Lower than expected COVID-19 costs:

- COVID-19 costs over the 2021 year-end-period have been lower than initially expected. The lower severity of the Omicron variant, together with a high vaccination rate amongst at-risk Discovery Health Medical Scheme members resulted in lower severity cases with fewer COVID-19-related admissions.

## Improved investment income:

- Improved investment performance on Scheme assets has enabled additional realised gains of R600 million supporting an extended deferral to the 2022 contribution increase.

# Strong Discovery Health Medical Scheme outlook beyond 2022

The contribution increase strategy of Discovery Health Medical Scheme has provided your clients with unparalleled stability and security for 2022 and beyond.

In addition to the financial relief the Scheme provided to existing members through the deferral of contribution increases, the deferral provided an opportunity for many new members to join DHMS at affordable rates, while the Scheme maintained contribution levels in line with medical inflation.

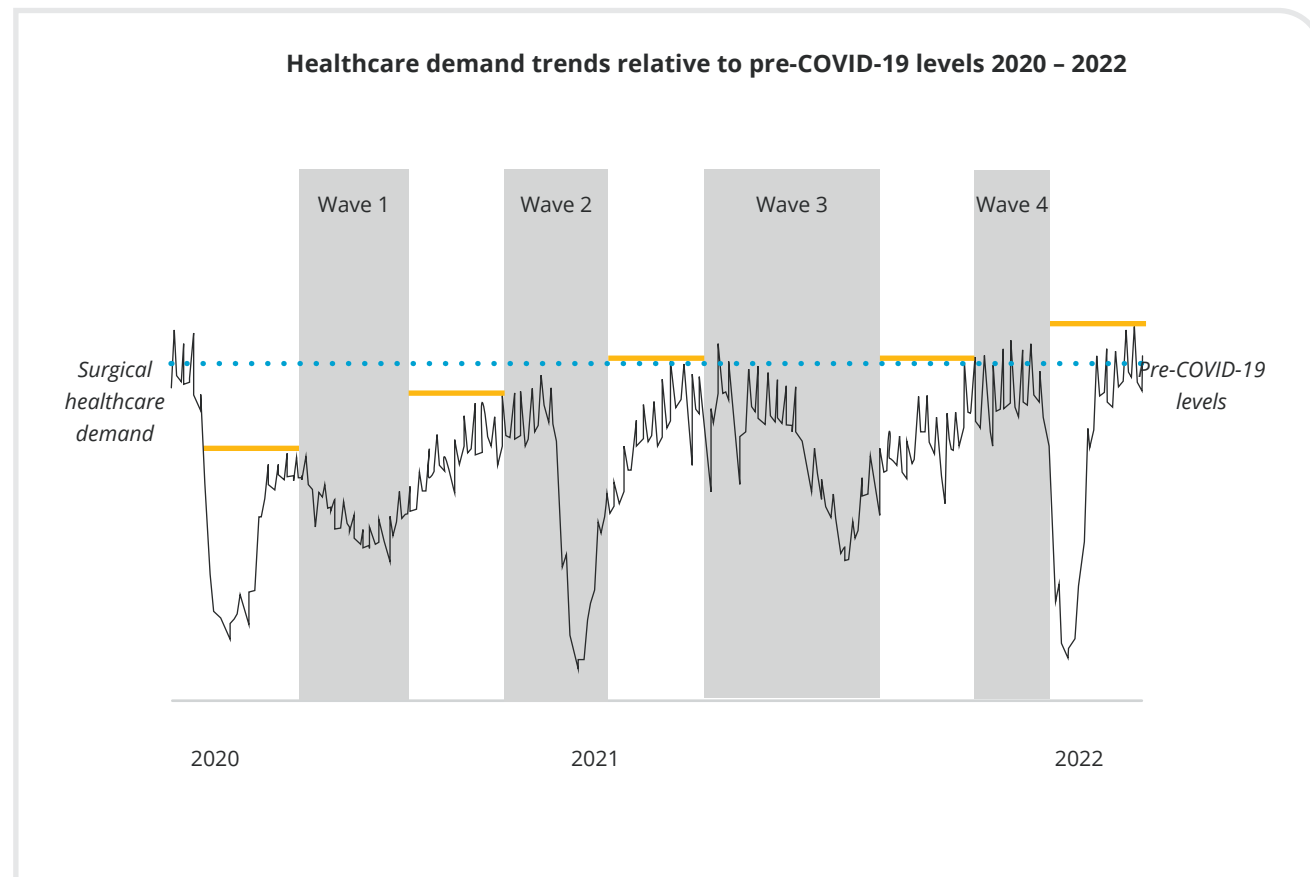
## PRICING STABILITY SECURED FOR DISCOVERY HEALTH MEDICAL SCHEME MEMBERS

The Scheme's unique pricing strategy continues to effectively balance immediate member affordability with long-term scheme sustainability. Increasing contributions in line with expected medical inflation ensures that contributions continue to meet future healthcare claims, avoiding the need for future 'price shocks' to members.

While non-urgent healthcare has been deferred during periods of high COVID-19 infection, the graph showcases clear trends of healthcare utilisation returning beyond existing levels between periods of low COVID-19 infection. These periods indicate the long-term expectation of healthcare utilisation levels as COVID-19 approaches an endemic state.

As we have progressed across the four COVID-19 waves in South Africa, healthcare demand has been returning to existing levels at a quicker rate. By February 2022, healthcare demand has exceeded pre-COVID-19 levels.

Discovery Health Medical Scheme has accurately accounted for long-term healthcare demand trends, placing the Scheme in a strong position to meet future healthcare demand requirements without 'price shocks' beyond 2022.



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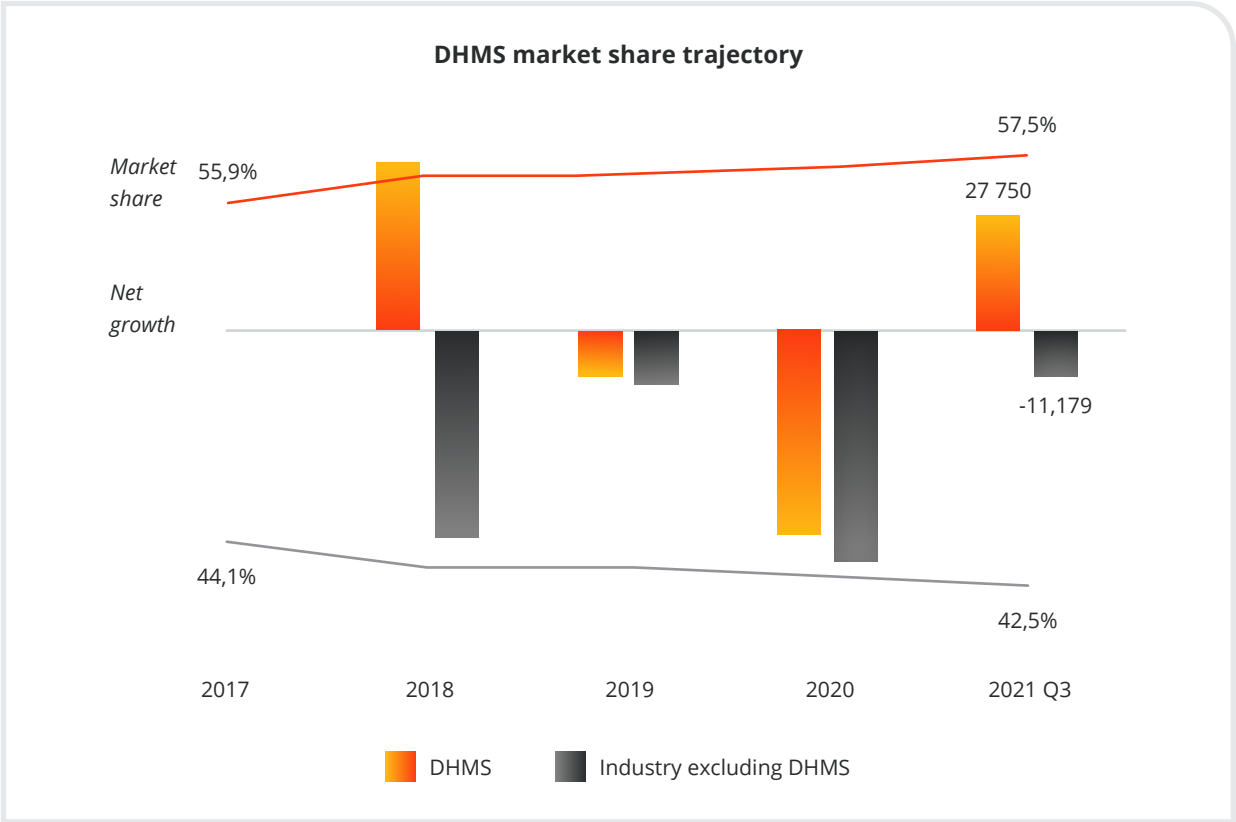
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## FLIGHT TO QUALITY CONTINUES TO DRIVE GROWTH IN 2022

Discovery Health Medical Scheme has experienced strong growth of healthy lives over 2021 and 2022 with its membership base growing by 27 750 lives by the third quarter of 2021. In contrast, the rest of the open scheme industry contracted by 11 200 lives over the same period, increasing Discovery Health Medical Scheme’s market share to 57.5% by September 2021.

These exceptional growth trends have continued into 2022, with the Scheme increasing by an additional 3 000 lives in January 2022.

The Scheme continues to attract lives of a healthy demographic profile, with new joiners representing a younger member base with a healthier chronic profile than the rest of the open scheme industry. A 27% increase in the proportion of new joining lives taking up Vitality also supports a strong flight to quality, further enhancing the position of Discovery Health Medical Scheme for 2022 and beyond.



# Implementation of the 2022 deferred contribution increase

## UNIFORM INCREASE ACROSS ALL PLANS

A 7.9% increase in contributions will apply uniformly across all Discovery Health Medical Scheme plan options from 1 October 2022.



## MID-YEAR UPGRADES ALLOWED FOR 2022

Members will still be allowed to upgrade to any Discovery Health Medical Scheme option effective 1 May 2022 and again on the contribution increase implementation date, 1 October 2022.



## ACCESS TO THE ABOVE THRESHOLD BENEFIT

Members that have reached their Above Threshold Benefit (ATB) before the additional Medical Savings Account allocation in March, 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 2022.



## INCREASES IN MEDICAL SAVINGS ACCOUNTS

All members on plan options with a Medical Savings Account (MSA) will have a 7.9% increase in their MSA contributions from 1 October 2022. As a result, they will enjoy a corresponding increase in their MSA balance which will be allocated in March 2022.

## NO UPDATES TO LIMITS, CO-PAYMENTS, DEDUCTIBLES AND THRESHOLDS

Limits, co-payments, deductibles and thresholds were increased on 1 January 2022, and will remain at their current levels for the rest of 2022.

## NO CHANGES TO BENEFITS AND NETWORKS

All plan benefits and hospital networks will remain unchanged.



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