



FOR OUR  
MEMBERS

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INTEGRATED  
REPORT 2017

# INTEGRATED REPORT 2017

Discovery Health Medical Scheme's Integrated Report is designed to cater for various readers by grouping information in a logical way according to different levels and areas of interest. The chapters in the Report can be read as standalone pieces for this purpose.

## OUR STAKEHOLDERS AND GOOD CORPORATE CITIZENSHIP

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This section discusses the Scheme's approach to responsible corporate citizenship and its ethics and values. It also discusses how each of the Scheme's key stakeholders obtain value from the Scheme, within the context of the Scheme's primary responsibility to create value for its members, who are its primary stakeholders.

## GOVERNANCE

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For readers who are interested in the details of the Scheme's governance, this chapter provides an overview from the Chairperson and a description of the legislation governing the Scheme and its governance structures and framework, including the Board of Trustees and Board Committees. It also reviews notable regulatory and industry matters dealt with during 2017.

## PERFORMANCE

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For readers who are interested in more about the performance of the Scheme during 2017, this chapter provides management commentary on the Scheme's strategic, operating and financial performance during 2017. It also includes a review of initiatives undertaken by Discovery Health on behalf of the Scheme and its members.

## ABOUT OUR REPORT

Sets out the assurances provided for this Report and its purpose, scope and boundary, and the Board's statement of responsibilities.

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## FINANCIALS

Full Annual Financial Statements and notes to the Financial Statements.

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## ABOUT DHMS

For current and potential members, this chapter provides an overview of the Scheme and its material matters, key risks and objectives.

It also indicates who leads and governs the Scheme, and provides a snapshot of key performance information.

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## RESOURCES AND GLOSSARY

A quick reference guide for contact information, feedback, compliments and complaints processes, and guidance on where to find additional information.

Unfamiliar terms in the Report? Find definitions in our Glossary.

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ABOUT  
OUR  
REPORT



Our Integrated Report indicates the accountability of the Board of Trustees of Discovery Health Medical Scheme to our members and to the Scheme's other stakeholders, who are integral to our ability to create value for our members and ensure the sustainability of the Scheme.

This Report provides an overview of Discovery Health Medical Scheme (DHMS or the Scheme), and a holistic assessment of its governance, business model, strategy and performance in the context of the key risks and opportunities in the South African private healthcare sector. With increasing economic demands on Scheme members and above inflation increases in healthcare costs, this Report outlines the Scheme's efforts to balance the needs and expectations of its stakeholders. Achieving this balance underpins the Scheme's financial and operational sustainability, which in turn supports the overall capacity and viability of the private healthcare sector.

## BOARD OF TRUSTEES RESPONSIBILITIES AND APPROVAL

The Board of Trustees (the Board or the Trustees) are committed to providing our members with accurate and reliable information. We recognise our responsibility to assure the integrity of the Integrated Report, and are confident that it covers all material matters, complies with the Scheme's responsibility to account for its operations and performance, and serves as a transparent, integrated source of information for all stakeholders.

The Trustees are satisfied that this Report complies with the requirements of the Medical Schemes Act 131 of 1998, as amended, the Scheme Rules, International Financial Reporting Standards, and all additional financial reporting requirements of the Council for Medical Schemes.

The Trustees are also satisfied that the Scheme has adequate resources to continue with its operations into the foreseeable future. The Scheme's Annual Financial Statements have therefore been prepared on a going concern basis.

Signed on behalf of the Trustees

Neil Morrison  
Chairperson

Daisy Naidoo  
Trustee

Dr Nozipho Sangweni  
Principal Officer

### PAGE REFERENCE

The resources on **pages 170 - 175** of this Report directs stakeholders to more information on DHMS, important contact details, and how to submit a complaint or compliment, or report fraud or unethical behaviour. It also provides details that stakeholders can use to give feedback on this Report.

The glossary of terms is provided on **pages 173 - 175**.

## SCOPE AND BOUNDARY

This Report covers the benefit year from 1 January 2017 to 31 December 2017, also referred to as the 2017 financial year (the year). In addition, this Report touches on some events in early 2018 that occurred prior to the date of approval of this Report by the Trustees, and contains some forward-looking information.

This Report takes guidance from the King IV Report on Corporate Governance for South Africa 2016 (King IV) and, where not superseded by King IV, the King Code of Governance Principles 2009 (King III). The Scheme uses the International Integrated Reporting Framework as the basis for preparing and improving its reporting, and applies it insofar as it is relevant and applicable to medical schemes in South Africa.

Although we do not explicitly conform to the six capitals model of the International Integrated Reporting Framework, this Report discusses how the Scheme manages its resources and relationships responsibly to create value for its members and other stakeholders. Therefore, the boundary of the report includes our interactions with entities outside the organisation that underpin our ability to create value for our members and other stakeholders.

In line with our Vested® outsourcing model, the Scheme contracts with Discovery Health (Pty) Ltd (Discovery Health) as its Administrator and Managed Care Provider. Using a specific methodology, the Scheme reviews and monitors the value that Discovery Health delivers to the Scheme and its members. Assessing the value added and the work performed by Discovery Health is an important aspect of this Report.

### PAGE REFERENCE

Read more about how we operate on [pages 18 – 19](#), and more about Discovery Health's initiatives for the Scheme on [pages 86 – 93](#).

The terms 'the Scheme', 'DHMS', 'we' and 'our' refer to Discovery Health Medical Scheme. The terms 'Discovery Health' and 'the Administrator and Managed Care Provider' refer to Discovery Health (Pty) Ltd.

## MATERIALITY DETERMINATION

The Trustees are responsible for determining the matters that materially impact the Scheme's ability to create value for its members and ensure the sustainability of the Scheme over time, and that these matters are effectively managed. The Trustees review material matters formally on an annual basis.

The Trustees scan the environment and consider Board and Scheme Office reports, the Scheme's risk register, and product and benefit enhancement opportunities to determine material matters. Stakeholder feedback is also considered, both formal (stakeholder activities and feedback sessions) and informal (emails and calls to the Scheme). The Trustees ensure that the Scheme's strategic priorities are adapted, where appropriate, to ensure that all material matters are considered in implementing the Scheme's strategic objectives.

### PAGE REFERENCE

The material matters relevant to the benefit year are set out on [page 11](#).

### PAGE REFERENCE

Read more about our interaction with our various stakeholders on [pages 33 – 43](#).

## COMBINED ASSURANCE

The Scheme uses a combined assurance model based on three lines of defence:

- **First line:** Scheme management provides the Trustees with assurance that the risk management plan is integrated into the day-to-day running of the Scheme and that it is monitored on an ongoing basis.
- **Second line:** the outsourced Group Risk Management, Compliance, and Forensics functions assess the effectiveness of the Scheme's internal control and risk management processes.
- **Third line:** management and the Trustees receive external assurance on the Scheme's financial performance and internal control frameworks from Internal Audit, external audit and an independent actuarial firm.

Scheme management assures the Integrated Report, with the external auditors providing independent assurance of the Annual Financial Statements.

## AUDITOR INDEPENDENCE

PricewaterhouseCoopers Inc have audited the Scheme's Annual Financial Statements. The Trustees believe the external auditors have observed the highest level of business and professional ethics, and have no reason to believe that they have not acted independently. Audit tenure and rotation of the designated partner form part of the independence assessment. The Audit Committee is satisfied that the auditor was independent of the Scheme.

Details of fees paid to the external auditors for audit and non-audit services are included in the Annual Financial Statements. The Scheme has a formal policy governing non-audit services and the relevant fees have been disclosed to and agreed with the Audit Committee.