

# 2021 DISCOVERY HEALTH MEDICAL SCHEME CONTRIBUTION INCREASE

*Discovery Health Medical Scheme was the first and only open medical scheme to freeze contribution increases, and defer the increase in contributions for 2021 by 6 months to 1 July 2021. The Contribution Freeze offered members much needed financial relief by taking advantage of the additional Scheme reserves that arose as a result of discontinuities in healthcare utilisation during 2020.*

*The contributions for all Discovery Health Medical Scheme plans will increase by 5.9% on 1 July 2021. The increase recognises the full impact of medical inflation on the Scheme, and ensures that the Scheme can offer affordable contribution increases in 2022 and beyond, which are expected to be below market averages. By deferring the contribution increase to 1 July 2021, members saved in excess of R2.2bn, and will only experience an increase of 2.95% in their total contributions paid to the Scheme during 2021.*

<p>1</p>  <p><b>THE BENEFITS OF THE 2021 CONTRIBUTION FREEZE</b></p>	<p>2</p>  <p><b>MEDICAL INFLATION IN 2021</b></p>	<p>3</p>  <p><b>2021 DISCOVERY HEALTH MEDICAL SCHEME DEFERRED CONTRIBUTION INCREASE</b></p>
<p>4</p>  <p><b>MANAGING HEALTHCARE INFLATION IN 2022 AND BEYOND</b></p>	<p>5</p>  <p><b>COMMUNICATION SUPPORT FOR FINANCIAL ADVISERS AND MEMBERS</b></p>	<p>6</p>  <p><b>DISCOVERY NEW BUSINESS SPECIAL OFFERS</b></p>

# The benefits of the 2021 Contribution Freeze

THE BENEFITS  
OF THE 2021  
CONTRIBUTION  
FREEZE



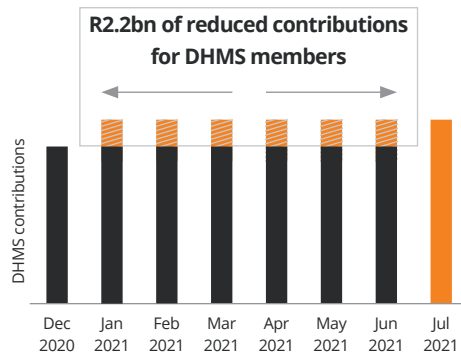
The 2021 Contribution Freeze provided members with R2.2bn in financial relief as they continued to pay 2020 contributions during the first 6 months of 2021 while all other open medical schemes increased their contributions on 1 January. The Scheme also benefited from improved persistency as a result of the competitive advantage created by the 2021 Contribution Freeze.



## FINANCIAL RELIEF FOR MEMBERS

The economic impact of COVID-19 has reduced the average income of South Africans by 26%<sup>1</sup>, 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.



**R2.2BN**

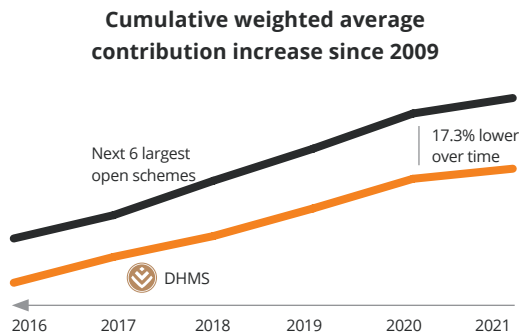
worth of contributions saved for members



## ENHANCED VALUE AND COMPETITIVE ADVANTAGE

Over time, DHMS has offered its members greater value through contribution increases that have been consistently lower than the industry average.

The Contribution Freeze reinforced this competitive position by offering members 2021 benefits at 2020 rates for 6 months, creating the lowest weighted average contribution increase for DHMS members across the open scheme market for 2021.



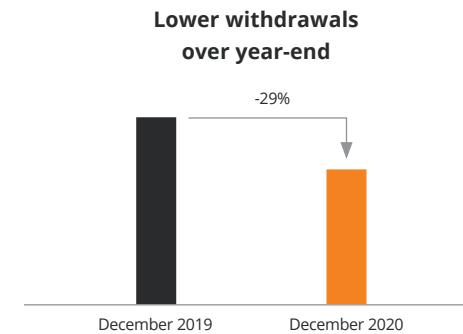
**17.3%**

additional value offered on DHMS from lower weighted average contribution increases over time



## IMPROVED PERSISTENCY IN 2021

Discovery Health Medical Scheme members have not experienced a change in contributions over the last 18 months. As a result, DHMS has experienced lower withdrawals and higher persistency levels. These improvements are expected to continue during 2021 since the mid-year contribution increase is better aligned with the expected economic recovery.



**-29%**

lower withdrawal levels over 2020 year-end

<sup>1</sup> COVID-19 lockdowns, income distribution, and food security: An analysis for South Africa; Global Food Security, Vol 26 (2020)



# Medical inflation in 2021

- *Understanding the components of medical inflation*
- *Disruptive impact of COVID-19 on healthcare in 2021*

# Understanding the components of medical inflation

*Medical inflation is the year-on-year increase in the cost of healthcare claims for a medical scheme. Historically, additional healthcare supply and demand factors have caused medical inflation to be in excess of consumer price inflation.*



## INCREASE IN THE COST OF HEALTHCARE SERVICES (TARIFF INFLATION)

Healthcare services on DHMS, such as doctor consultations, prescribed medicine and hospital fees, each have a predetermined price.

Annually, the price of these services is increased based on the forecasted Consumer Price Index (CPI) for the following year. Over the last 4 years, tariff increases were slightly above CPI.

The result of higher tariff increases being applied earlier in 2020, reduced the impact of inflation in 2021.



## DEMAND-SIDE INFLATION

Demand-side inflation represents the increase in the level of healthcare services required by members each year.

Demand-side inflation has typically ranged between 3.9% and 4.4% per annum, correlated with the underlying health needs of members of the scheme.

The impact of the pandemic has created a new demand for healthcare to support the testing, monitoring and treatment of COVID-19, as well as the need for COVID-19 vaccinations, while reducing the demand for non-COVID-19 health-seeking behaviour during COVID-19 waves as members defer their preventative and elective healthcare needs to prevent exposure to COVID-19.



## SUPPLY-SIDE INFLATION

Healthcare costs and utilisation fluctuate depending on the availability and supply of healthcare providers, services and technology.

In the past, increases in healthcare costs have arisen from the higher costs associated with new medical technology, while increases in healthcare utilisation have arisen from the introduction of new hospitals in oversupplied regions. Supply-side inflation typically lies between 1% and 2.2% per year.

During peaks of the COVID-19 pandemic the supply of elective, non-urgent healthcare is temporarily reduced in order to support the healthcare system in managing the additional healthcare demand associated with concurrent COVID-19 infections.



## MANAGED CARE, WELLNESS AND OTHER INTERVENTIONS

Annually, various unique Discovery Health interventions and innovations contribute to reducing medical scheme inflation and translate into lower contribution increases and greater benefits for DHMS members over time.

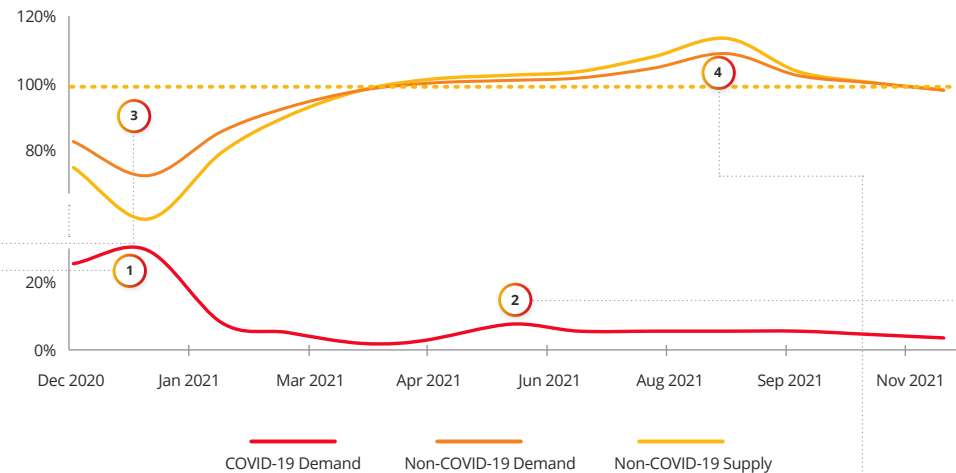
- 01** | In 2020 DHMS saved R7.2bn through various risk management interventions, including tariff negotiations, case management and fraud interventions.
- 02** | Vitality enables DHMS to attract and retain younger members, while encouraging existing members to improve their health through engagement in healthy living. The cumulative impact of Vitality is estimated to have reduced contributions by 10% cumulatively over time.

# Disruptive impact of COVID-19 on healthcare in 2021

COVID-19 has caused a discontinuity in healthcare utilisation, creating atypical medical inflation trends in 2020 and 2021.

## 1 ELEVATED COVID-19 DEMAND ARISING FROM THE SECOND AND SUBSEQUENT WAVES

The COVID-19 second wave recorded a 50% higher peak and 70% increase in daily hospital admissions relative to the first wave, resulting in significantly increased demand for COVID-19 healthcare over this period. Potential future resurgences will continue to increase the demand for COVID-19 healthcare over 2021.



## 2 COVID-19 VACCINE FUNDING

COVID-19 vaccines are fully covered by DHMS for all members. The cost of these vaccines is estimated at an additional R1.2 billion. Vaccine costs constitute a necessary new and ongoing healthcare demand in 2021 and beyond.

## 3 REDUCED NON-COVID-19 DEMAND AND SUPPLY

To manage the higher COVID-19 infections which occurred during the second wave, the South African government implemented a second series of national lockdown restrictions.

The impact of these restrictions reduced the demand and supply for non-COVID-19 healthcare for the first quarter of 2021 including:

- The deferment of non-urgent healthcare, such as the postponement of elective surgeries and preventative care
- A reduction in trauma-related admissions
- Restricted availability of hospital beds and healthcare providers.

In 2021, healthcare experts have had a better understanding of the COVID-19 virus and employ more efficient techniques in managing COVID-19 waves. As a result, the demand and supply for non-COVID-19 healthcare returns at a faster pace, with a smaller impact on medical inflation in 2021.

## 4 RETURN OF LATENT NON-COVID-19 DEMAND AND SUPPLY OVER 2021

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.

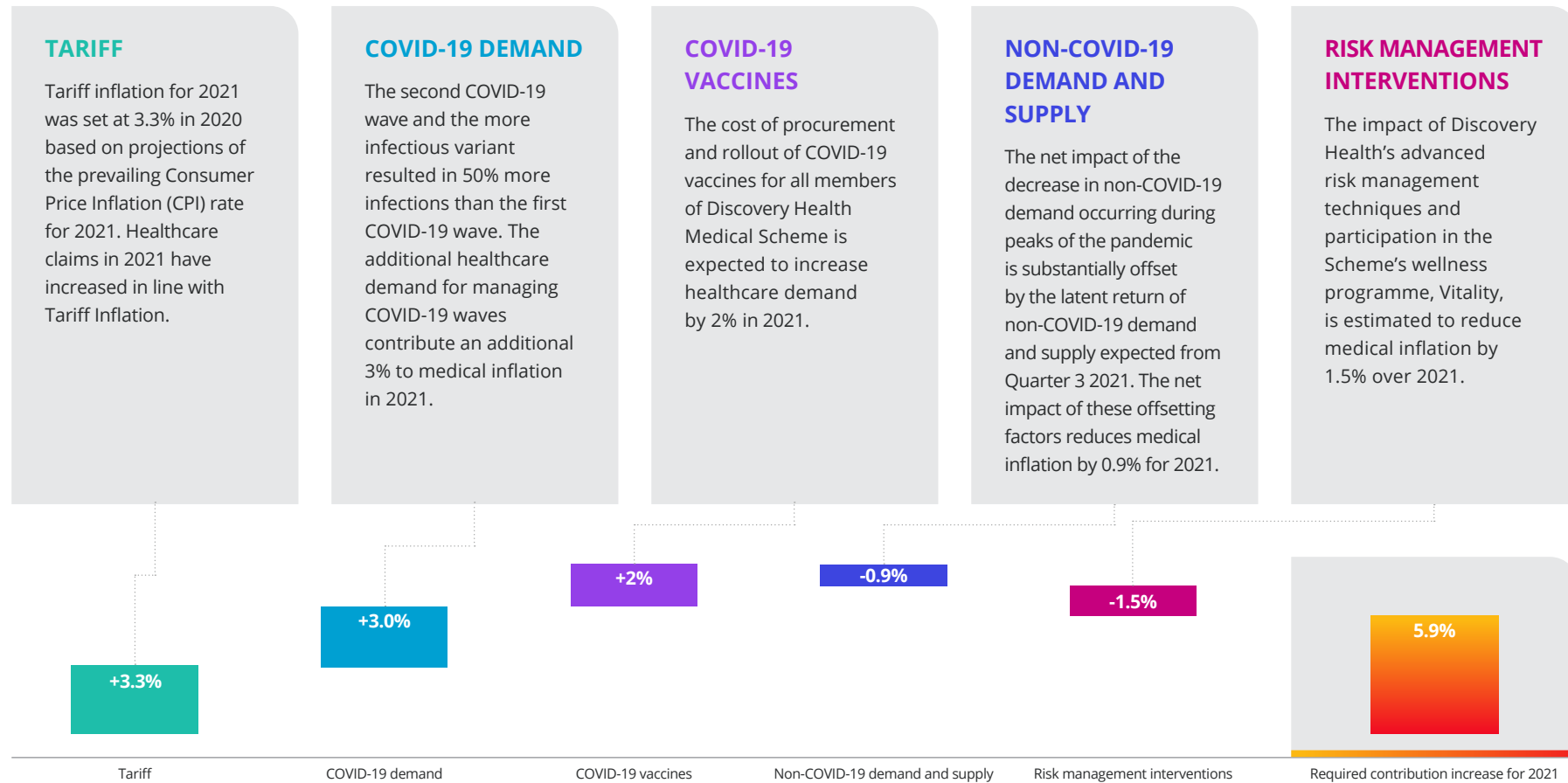
# 2021 Discovery Health Medical Scheme deferred contribution increase



2021 DISCOVERY  
HEALTH MEDICAL  
SCHEME DEFERRED  
CONTRIBUTION  
INCREASE



The deferred contribution increase for Discovery Health Medical Scheme members will be 5.9% across all plans on 1 July 2021, and reflects the anticipated healthcare utilisation experience for 2021.



2021 DISCOVERY HEALTH MEDICAL SCHEME DEFERRED CONTRIBUTION INCREASE

**2021 DEFERRED CONTRIBUTION INCREASE:**

<p>Discovery Health Medical Scheme contributions will increase by:</p> <p><b>5.9%</b></p> <p>across all plans from 1 July 2021.</p>	<p>Through the Contribution Freeze, members will only experience a</p> <p><b>2.95%</b></p> <p>weighted average contribution increase for 2021.</p>
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This brochure is only a summary of some features of Discovery Health Medical Scheme plans, awaiting formal approval from the Council for Medical Schemes. In all instances, Discovery Health Medical Scheme Rules prevail. Please consult the Scheme Rules on [www.discovery.co.za](http://www.discovery.co.za). Vitality is a separate wellness product from DHMS. Please refer to page 16 for additional information.

# IMPLEMENTATION OF THE 2021 DEFERRED CONTRIBUTION INCREASE

## UNIFORM INCREASE ACROSS ALL PLANS

A 5.9% increase in contributions will apply uniformly across all Discovery Health Medical Scheme plan options from 1 July 2021.



## MID-YEAR UPGRADES ALLOWED FOR 2021

As a result of the mid-year increase, members will be allowed a once-off concession to upgrade to any Discovery Health Medical Scheme option effective 1 July 2021.



## ACCESS TO THE ABOVE THRESHOLD BENEFIT

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.



## INCREASES IN MEDICAL SAVINGS ACCOUNTS

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.

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

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

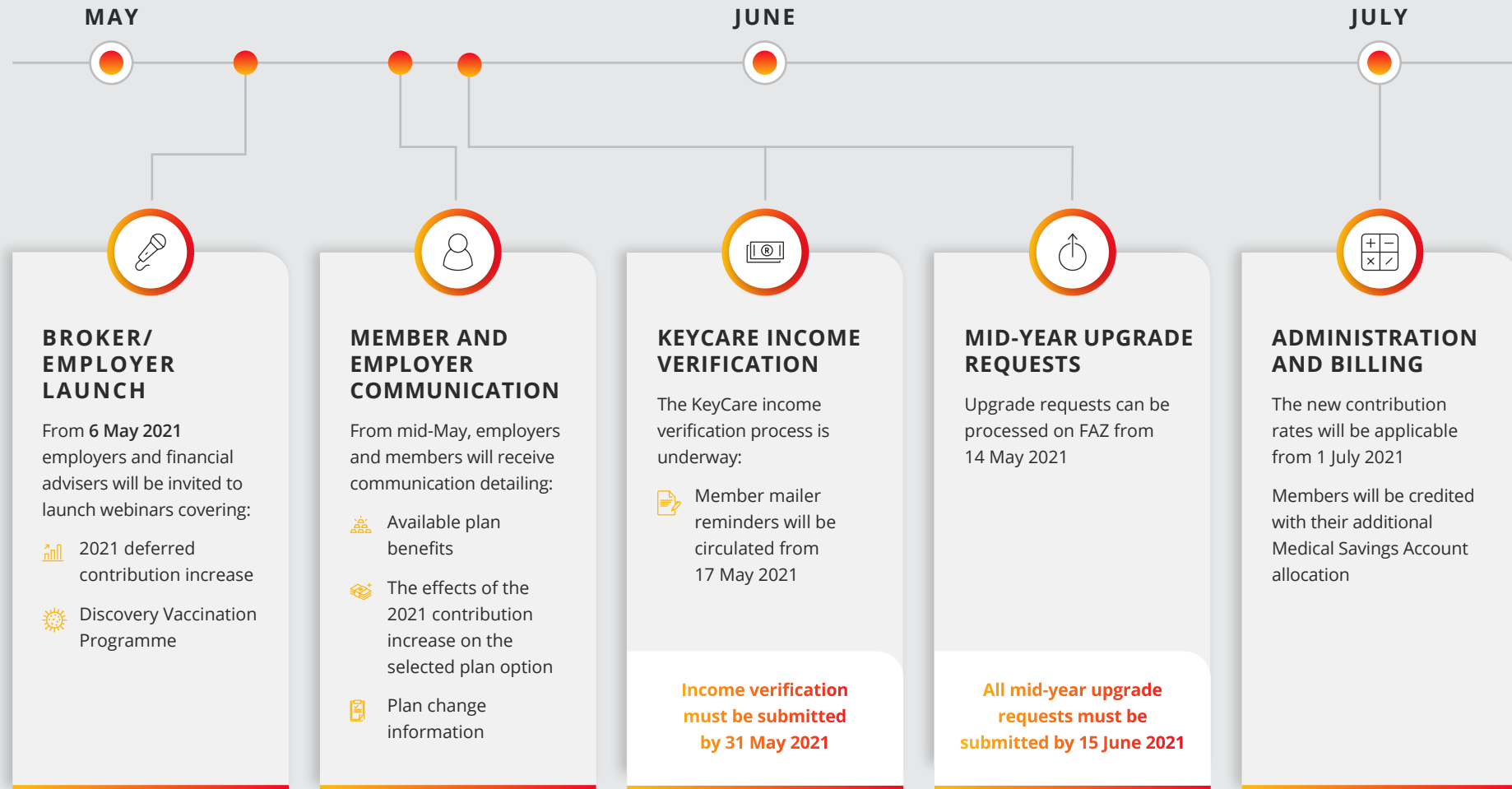
Limits, co-payments, deductibles and thresholds were increased on 1 January 2021, and will remain at their current levels for 2021.

## NO CHANGES TO BENEFITS AND NETWORKS

All plan benefits and hospital networks will remain unchanged.

2021 DISCOVERY  
HEALTH MEDICAL  
SCHEME DEFERRED  
CONTRIBUTION  
INCREASE

# IMPLEMENTATION OF THE 2021 DEFERRED CONTRIBUTION INCREASE



2021 DISCOVERY HEALTH MEDICAL SCHEME DEFERRED CONTRIBUTION INCREASE

# Managing healthcare inflation in 2022 and beyond



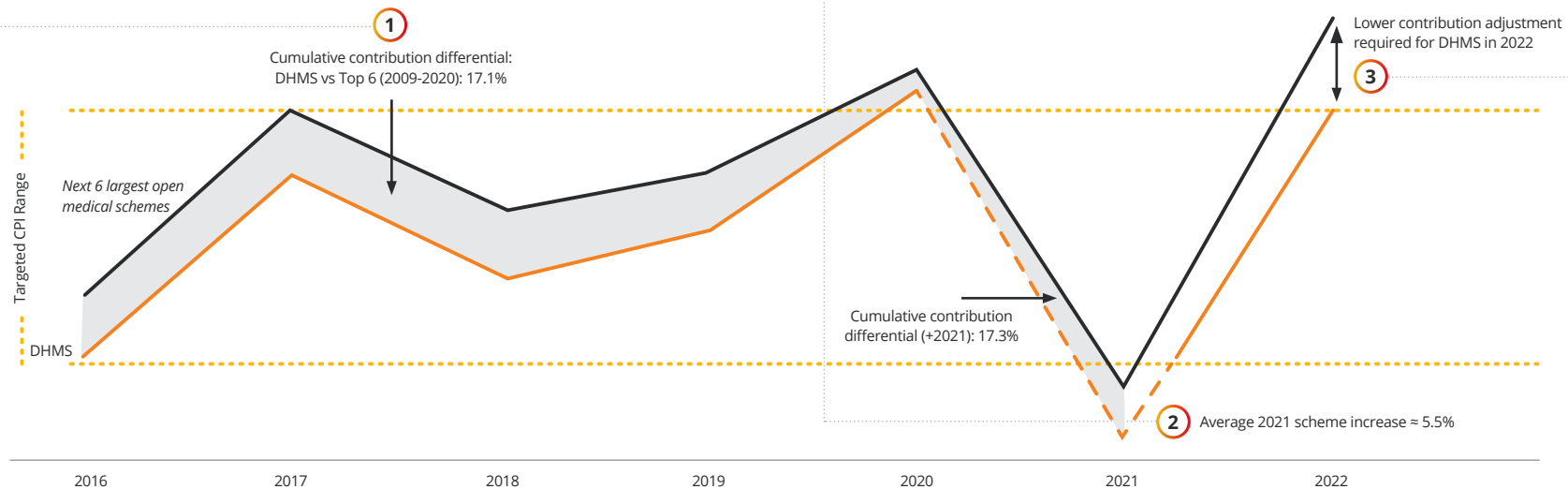
MANAGING  
HEALTHCARE  
INFLATION IN  
2022 AND  
BEYOND

The 2021 Contribution Freeze and deferred contribution increase strategy has created substantial advantages for managing healthcare inflation across 2021 and beyond.

## DHMS CUMULATIVE COMPETITIVE ADVANTAGE CONTINUES IN 2021

**1** DHMS has built competitive advantage through contribution increases which have been consistently lower than the market over time. The cumulative impact of this contribution differential results in 17.3% additional value for DHMS members, on average, when compared to the next 6 largest open medical schemes in the market.

**2** The total weighted average contributions paid by a DHMS member will increase by only 2.95% between 2020 and 2021. This is substantially lower than the next 6 largest open medical schemes in the industry, whose members have experienced an average increase of 5.5% in total contributions paid over the same period.



## DHMS IS WELL PLACED TO MANAGE HEALTHCARE CLAIMS VOLATILITY BEYOND 2021

**3** Most medical schemes have already set contributions based on the temporarily reduced healthcare demand caused by the COVID-19 utilisation discontinuity. The return of latent non-COVID-19 demand, will result in healthcare claims returning and increasing beyond pre-COVID-19 levels.

Contribution increases in 2022 will therefore have to account for 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 adjustment than other medical schemes in the market, creating smoother contribution increases for members in 2022 and beyond.

# Communication support for financial advisers and members



COMMUNICATION  
SUPPORT FOR  
FINANCIAL  
ADVISERS AND  
MEMBERS

# Communication support for financial advisers and members

*As a result of the deferred contribution increase, FAIS guidelines indicate that financial advisers should inform their clients of the new 2021 contribution rates and the additional mid-year upgrade flexibility. Discovery Health Medical Scheme is supporting advisers through pro-active member and employee communication, in addition to various other marketing collateral.*

## MEMBER AND EMPLOYER COMMUNICATION ROLLOUT

### MEMBER COMMUNICATION ROLLOUT

From mid-May 2021, members will receive communication from Discovery Health Medical Scheme detailing the mid-year increase to their contributions and the opportunity to upgrade their plans, effective 1 July 2021. All operational details relating to plan upgrades will be included in these communications.



### EMPLOYER WEBINAR

All employers associated with Discovery Health Medical Scheme will be invited to an employer webinar, outlining the details of the deferred contribution increase and the Discovery COVID-19 Vaccination Programme.



### EMPLOYER COMMUNICATION

All employers associated with Discovery Health Medical Scheme will also receive communication from mid-May 2021, outlining the specifics of the deferred contribution increase, the mid-year upgrade concession and the Discovery COVID-19 Vaccination Programme.

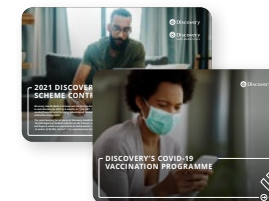


## ADVISER SUPPORT TOOLS:

Key content covering both the 2021 Deferred Contribution increase and the Discovery COVID-19 Vaccination Programme will be available to financial advisers on the Financial Adviser Zone from 7 May 2021.

### Content will include:

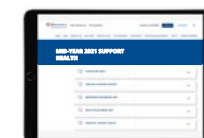
Discoverers detailing the specifics of the deferred contribution increase and the COVID-19 Vaccination Programme



FAQ documents covering key questions arising across both topics



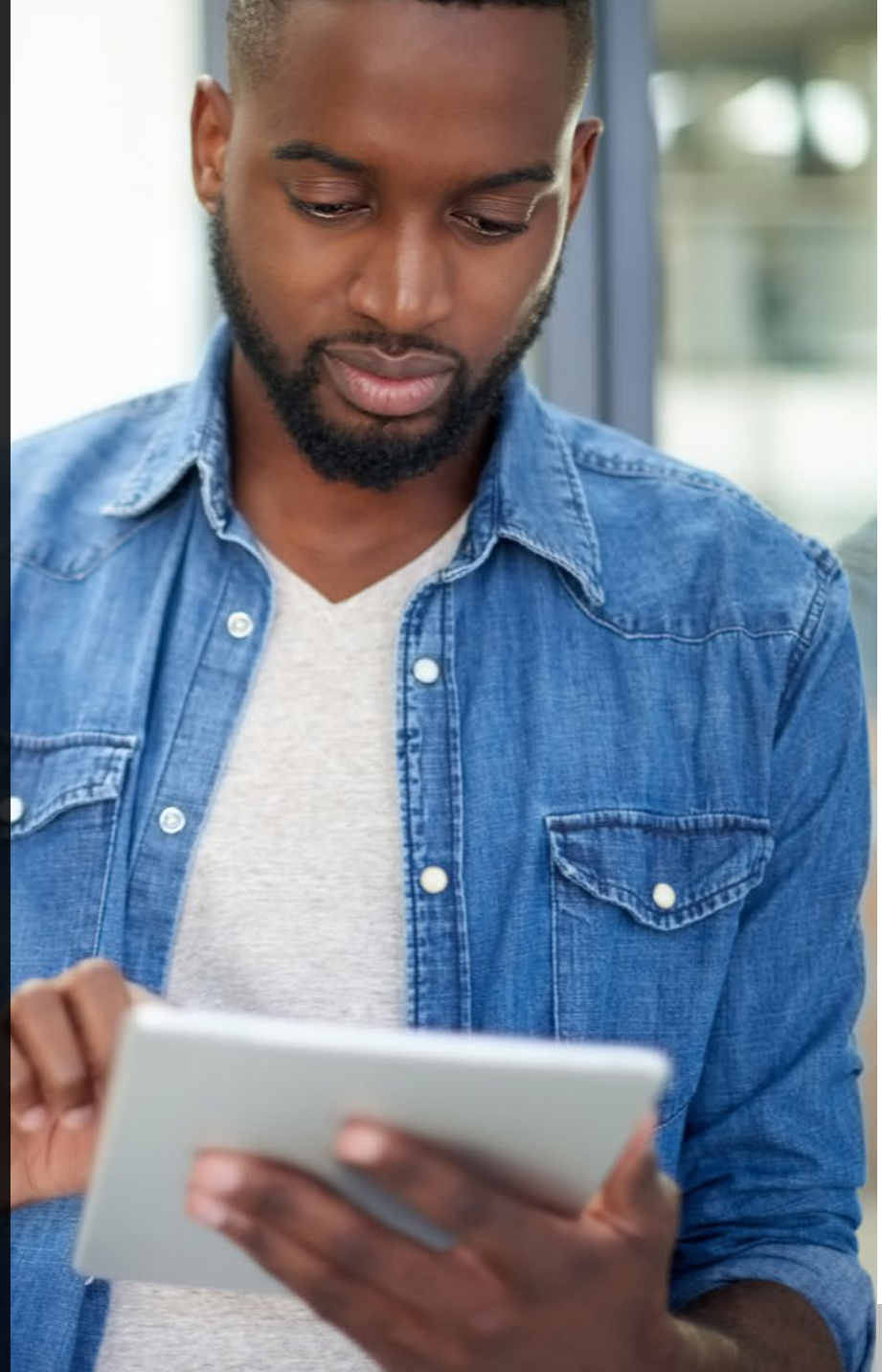
Webinar recordings of the 2021 deferred contribution increase and the Discovery COVID-19 Vaccination Programme



COMMUNICATION  
SUPPORT FOR  
FINANCIAL  
ADVISERS AND  
MEMBERS



# Discovery new business special offers



Discovery Gap Cover is a separate insurance product from DHMS. Vitality is a separate wellness product from DHMS. Please refer to page 16 for additional information.



# Experience greater integrated value through exciting special offers until 30 June 2021

## SPECIAL OFFER

**CLIENTS CAN JOIN TODAY AND ONLY PAY THEIR CONTRIBUTIONS AT THE END OF THE MONTH**



### ARREARS BILLING SPECIAL OFFER EXTENDED

Your new joining DHMS clients can elect to switch to arrears billing.

This allows your clients to have up to 60 days contribution relief between their last contribution payment at the start of the month, and their first contribution payment to DHMS at the end of the month.

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.

**APPLICABLE TO DIGITAL APPLICATIONS ON FAZ AND SMART ADVICE ONLY**

## SPECIAL OFFER

**CURRENT MEMBERS OF DISCOVERY HEALTH MEDICAL SCHEME GET ACCESS TO INTEGRATED PRODUCTS AT NO ADDITIONAL COST**



### THREE MONTHS ACCESS TO THE WORLD'S LEADING WELLNESS PROGRAMME AT NO ADDITIONAL COST

Until 30 June 2021, your DHMS clients who have not experienced the world of **Discovery Vitality** can join at no additional cost for three months and immediately start earning rewards along with millions of members worldwide.



### INTEGRATE YOUR CLIENTS COVER WITH DISCOVERY GAP COVER AT NO ADDITIONAL COST FOR 3 MONTHS

Discovery Gap Comprehensive Cover offers your clients boosted healthcare cover, including:

- 500% additional in-hospital specialist cover
- A Hospital Admission Benefit Extender to cover in-hospital and out-of-hospital shortfalls associated with hospital admissions and recovery.
- Benefit extenders that are designed to top up your client's DHMS cover for oncology and travel benefits.
- A seamless claims and administration process that is fully integrated with your client's DHMS policy requiring no additional processing or payment.

Until 30 June 2021, all Discovery Health Medical Scheme members who have not yet experienced **Discovery Gap Cover** can join at no additional cost for three months. At the end of the three-month period, your clients can start paying the monthly Gap cover premium or cancel the policy.



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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 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, a licensed 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.

Discovery Ltd 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.