



FEBRUARY  
**20  
23**  
DISCOVERY DAY


# DISCOVERER





CONTENTS





Discovery Health  
Medical Scheme  
**contribution  
increase 2023**



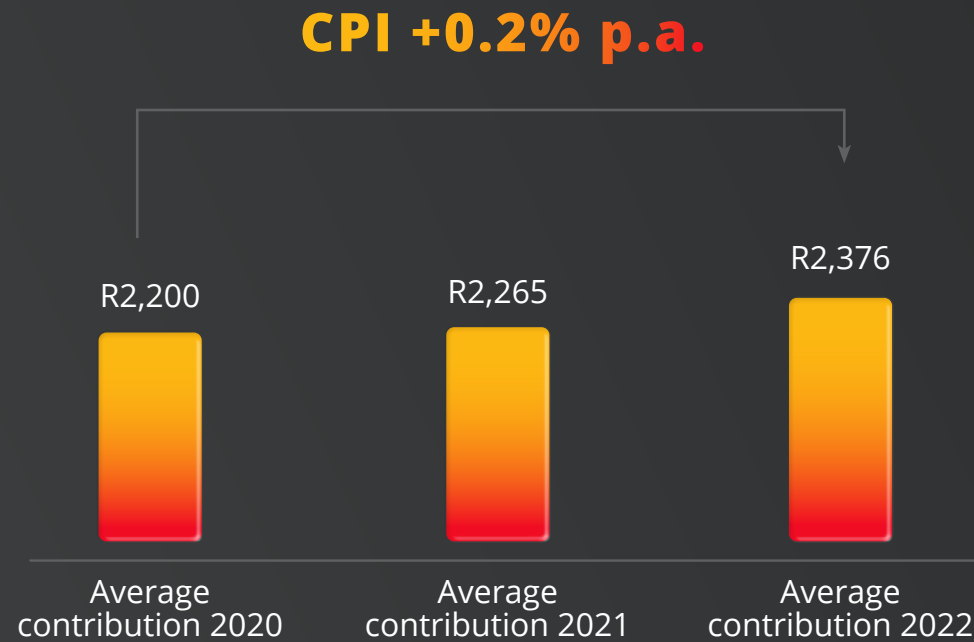
# More value for members of Discovery Health Medical Scheme in 2023 and beyond

## DEFERRED CONTRIBUTION INCREASE FOR 2023

Discovery Health Medical Scheme delayed contribution increases for six months in 2021 and nine months in 2022. These 15 months of lower contributions enabled members to enjoy the current year's benefits at the previous year's rates, collectively reducing contributions paid by members by R2.2 billion in 2021 and R4.6 billion in 2022.

The delayed increases collectively saved Discovery Health Medical Scheme members approximately R5,000 per policy, on average, during 2021 and 2022. Total contributions paid by members in 2021 and 2022 increased by only 0.2% per annum more than the Consumer Price Index (CPI) over this period.

Effective contribution increases for Discovery Health Medical Scheme (2020 - 2022)



Discovery Health Medical Scheme continued to defer contribution increases in 2023, offering members a 0% increase for the first three months of 2023 on all health plans. Combined with the deferred increases in 2021 and 2022, the Scheme has now used its excess reserves to collectively lower contributions by R8.6bn for all members during 2021, 2022 and 2023.

## ENHANCED BENEFITS FOR 2023

The contribution increase deferral in 2023 meant that your clients could enjoy their enhanced 2023 benefits at 2022 contributions for the first three months of 2023.

These benefit enhancements for 2023 include:

**WELLTH fund**

The introduction of the WELLTH Fund provides members with up to R10,000 per policy for a wide range of health screening and preventative healthcare services to empower them to improve their health.

The WELLTH Fund is incentivising members to do their Health Checks to understand their health and unlock the WELLTH Fund, with an observed increase in screening rates of 33% in 2023.

As at 17 February 2023, more than 125,000 policies had already unlocked their WELLTH Fund, with more than R56 million in WELLTH Fund claims paid by the Scheme to date.

**25%**

A 25% increase in Oncology Benefit thresholds on all plans (excluding KeyCare).

An additional Disease Prevention Programme to support members who are at-risk of developing diabetes or cardiovascular disease, including risk funded benefits.

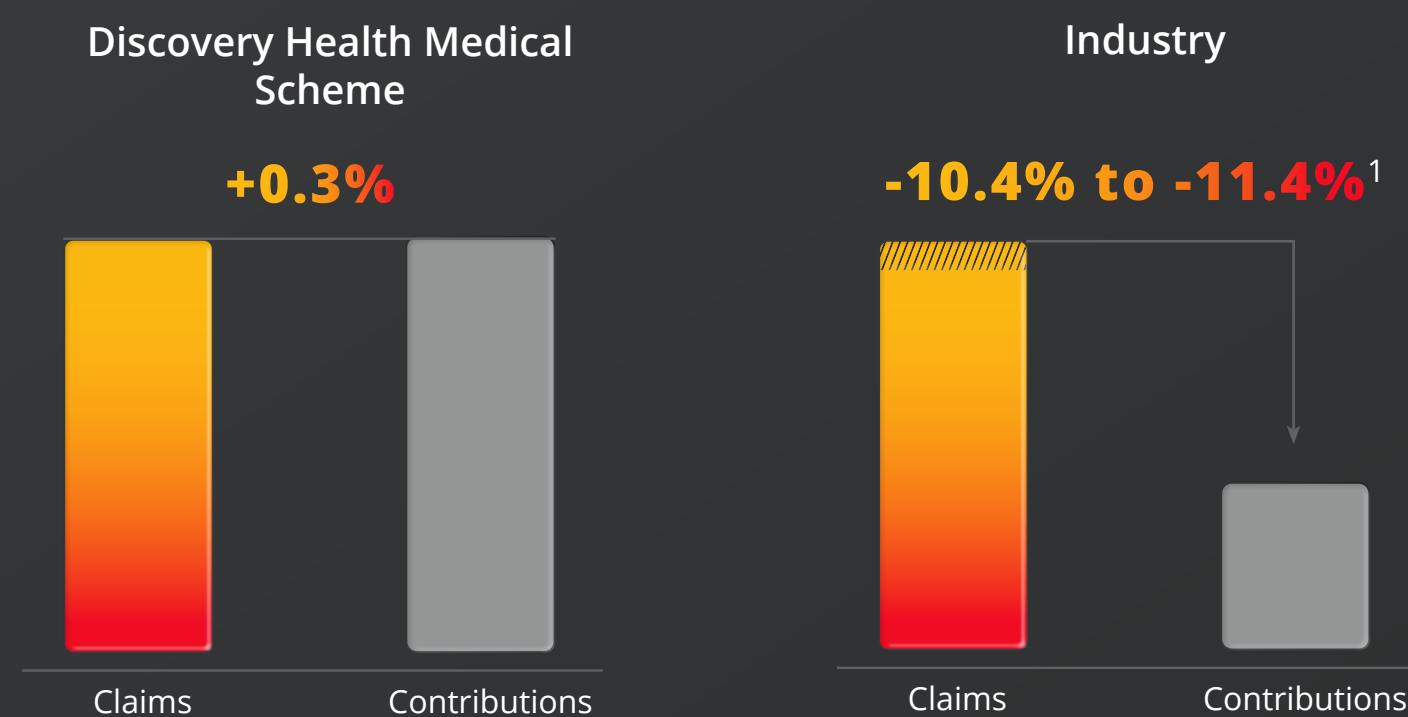


# Discovery Health Medical Scheme is **prioritising sustainability for members beyond 2023**

The contribution increases for Discovery Health Medical Scheme in 2021 and 2022 kept contributions in line with medical inflation, while the deferral of the increases reduced their impact on members. This strategy allowed the Scheme to maintain its long-term sustainability, while addressing affordability for members.

The financial stability of Discovery Health Medical Scheme is confirmed by the latest utilisation trends for open medical schemes. For Discovery Health Medical Scheme, contributions are currently priced to match the expected claims experience for its members. Future contribution increases would only need to account for medical inflation and enables the Scheme to continue to offer its members excellent value, without requiring large contribution corrections beyond 2023.

Claims vs contributions pricing gap  
(2023)



In contrast, short-term underpricing approaches have been adopted by some medical schemes to drive short-term growth. Actuarial analysis indicates that open medical schemes, excluding Discovery Health Medical Scheme, have a 10-12% deficit between healthcare claims and contributions. Left uncorrected, this gap continues to widen each year, requiring higher increases and larger benefit cuts to close the pricing shortfall.

<sup>1</sup> Projected for the industry's relative claims increase compared to DHMS over the last few years as well as claims increases in line with DHMS. The effect of contribution increase deferrals have been accounted for.



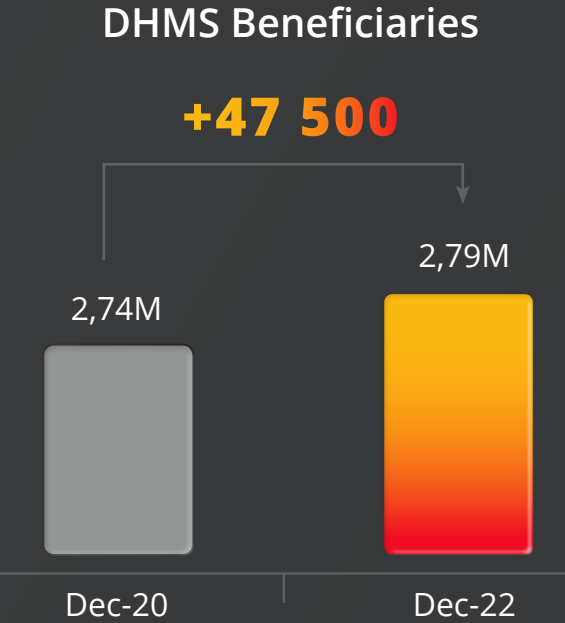


# Discovery Health Medical Scheme growth in 2021 and 2022 reflects a **flight to quality**

The effective use of contribution deferrals, combined with valuable benefit enhancements, has contributed to Discovery Health Medical Scheme’s growth over the last two years. Discovery Health Medical Scheme’s stable membership profile and healthy growth reflects the value and ongoing stability which the Scheme offers your clients in 2023 and beyond.

## INDUSTRY-LEADING GROWTH IN 2021 AND 2022

Since January 2021, the Discovery Health Medical Scheme’s membership has grown by 47,500 beneficiaries. The high levels of new business experienced in 2021 have been maintained into 2022, further boosted by reduced withdrawal levels which remain lower than the pre-pandemic experience. The net impact has resulted in Scheme growth of 23,000 additional lives in 2022 increasing the Scheme’s market share to 57.6% of total open medical scheme beneficiaries.



**57.6% market share**

## POSITIVE IMPACT OF GROWTH ON THE SCHEME

Healthcare claims increase by approximately 2.6% per annum for every one year that a medical scheme’s membership ages. Maintaining a young age profile is crucial to limiting the impact of ageing on the medical scheme contributions. Discovery Health Medical Scheme continues to attract young and healthy lives with a healthier age profile and lower chronic ratio than existing members of the Scheme.



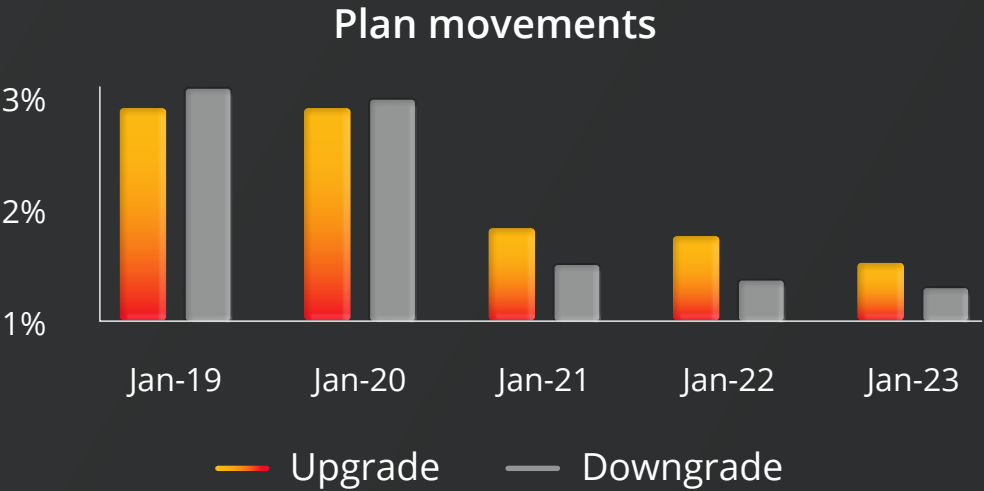
The healthy profile of new joiners on Discovery Health Medical Scheme has limited the annual ageing of the Scheme to just 0.3 years per annum, protecting long-term stability of the Scheme.

## STABLE MEMBERSHIP BASE

Discovery Health Medical Scheme has maintained a stable and resilient membership base, supported by the improved affordability offered through contribution increase deferrals.

97% of members have maintained their plan option despite the various economic challenges experienced over the 2022 year-end period. Only 1.3% of members have chosen to downgrade their plans. In addition, only 1.6% of members chose to upgrade their plans over the 2022 year-end period.

**97%** of members have maintained their plan option





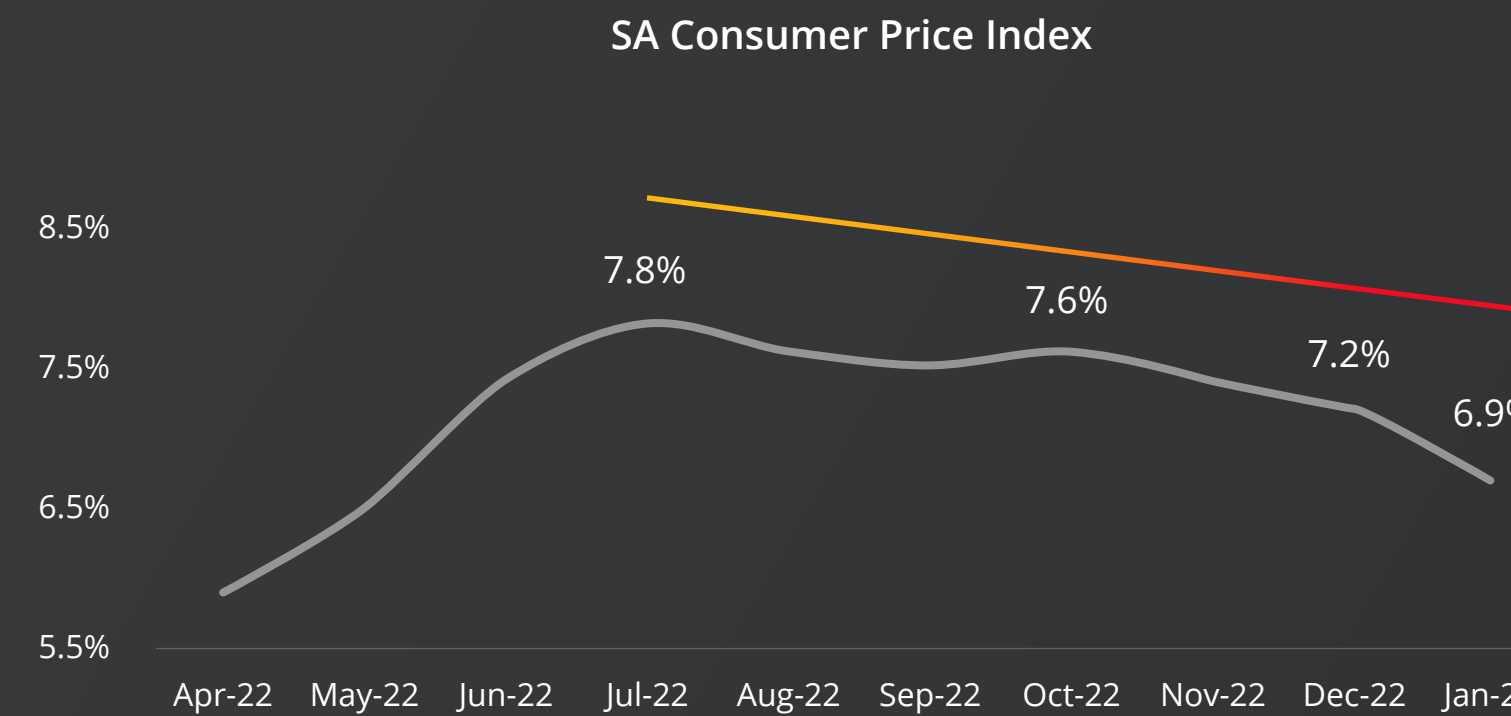
# Medical inflation dynamics for 2023

Discovery Health Medical Scheme experienced several discontinuities in the claims experience during 2020, 2021 and 2022 as a result of COVID-19, but by October 2022, claims had increased to levels equivalent to normal medical inflation in the Scheme. At that point, Discovery Health Medical Scheme was appropriately priced, and contribution levels and claims levels were equivalent.

In 2023, claims paid by the Scheme are expected to increase in line with medical inflation, and the Scheme must increase contributions accordingly, to ensure that contributions received continue to match claims paid.

## UNIQUE FACTORS CONTRIBUTING TO MEDICAL INFLATION IN 2023:

### VOLATILITY IN CONSUMER PRICE INFLATION

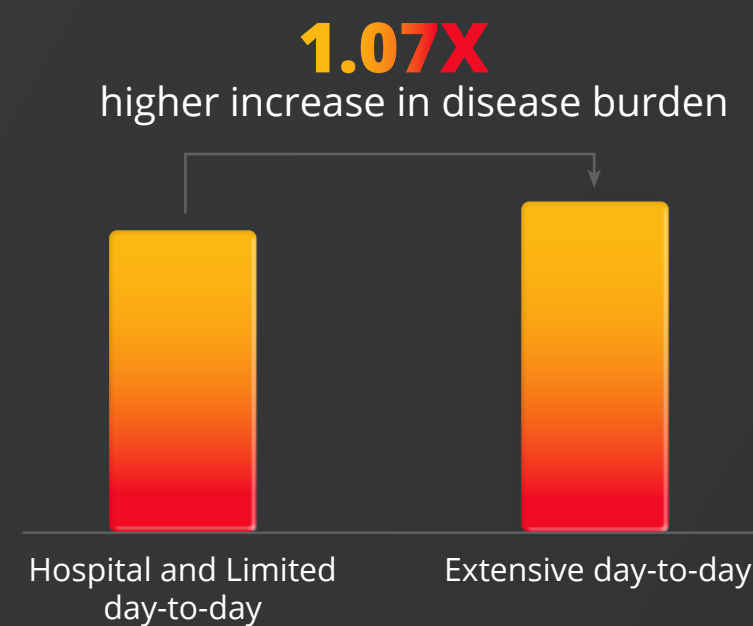


Consumer Price Index (CPI) represents the increase in the cost of goods and services required by members. The cost of healthcare goods and services are adjusted at various points across the year and typically increase at a rate of CPI +0.5%.

Global supply-chain disruptions, spikes in global commodity prices and swings in the exchange rate have resulted in record-high inflation with substantial volatility. Although the volatility persists into 2023, CPI projections have consistently reduced since the July 2022 peak, currently recorded at 6.9% and expected to continue to come down over the course of the year.

### VARIED DISEASE BURDEN AND UTILISATION EXPERIENCE ACROSS DHMS BENEFIT OPTIONS

#### Change in disease burden 2019 – 2022



#### Higher healthcare demand on extensive day-to-day plans

- 2.9X** higher oncology prevalence
- 1.7X** higher hospital admission rate
- 1.5X** higher prevalence of chronic conditions

Discovery Health Medical Scheme has observed a higher increase in the demand for healthcare by members on extensive-day-to-day plans compared to the rest of the Scheme.

Members on the extensive day-to-day plans have experienced a 7% higher increase in underlying disease burden than members on other plans.

As a result, these plans require a higher increase in contributions to reflect the increase in healthcare claims and to maintain the value of their benefits.



# Discovery Health Medical Scheme 2023 contribution increase

The contribution increases for 2023 are linked to medical inflation for Discovery Health Medical Scheme, with an adjustment for plan specific utilisation experience on extensive day-to-day plans.

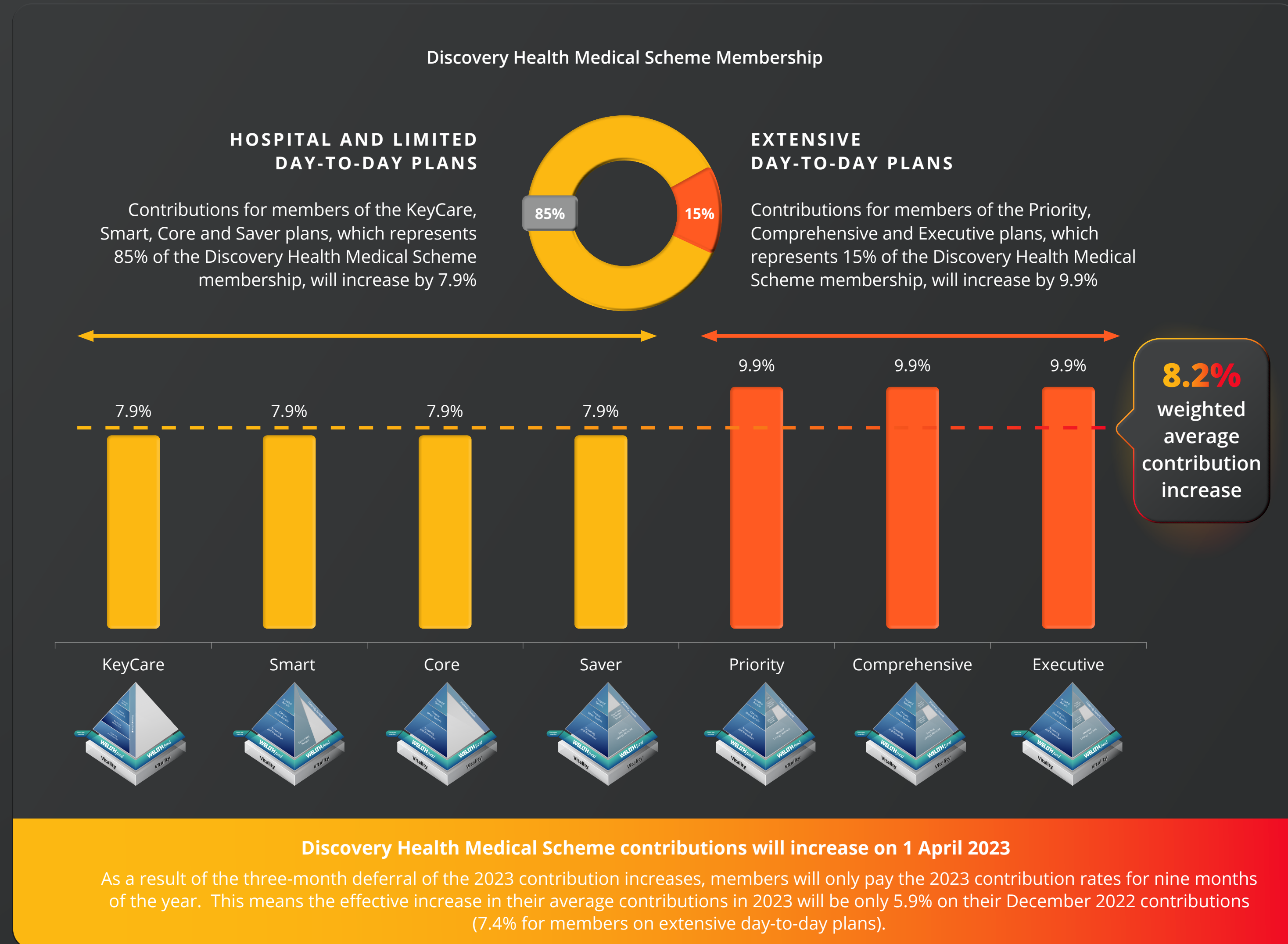
The weighted average contribution increase for 2023 is 8.2%, effective 1 April 2023.

Contribution increases will be 9.9% on extensive day-to-day plans, and 7.9% on all other plans.

The key factors driving medical inflation for 2023 include:

- **Tariff Inflation:** the increase in the cost of healthcare services linked to the Consumer Price Index (CPI).
- **Demographic risk:** driven by an increase in the disease burden of the Scheme.
- **Utilisation changes:** as a result of increases in utilisation post COVID-19.

These factors are further outlined in the September 2022 Discoverer, which can be found at this [link](#).





# Implementation of the **2023 deferred contribution increase**





# Discovery Health Medical Scheme offers members unmatched value in 2023

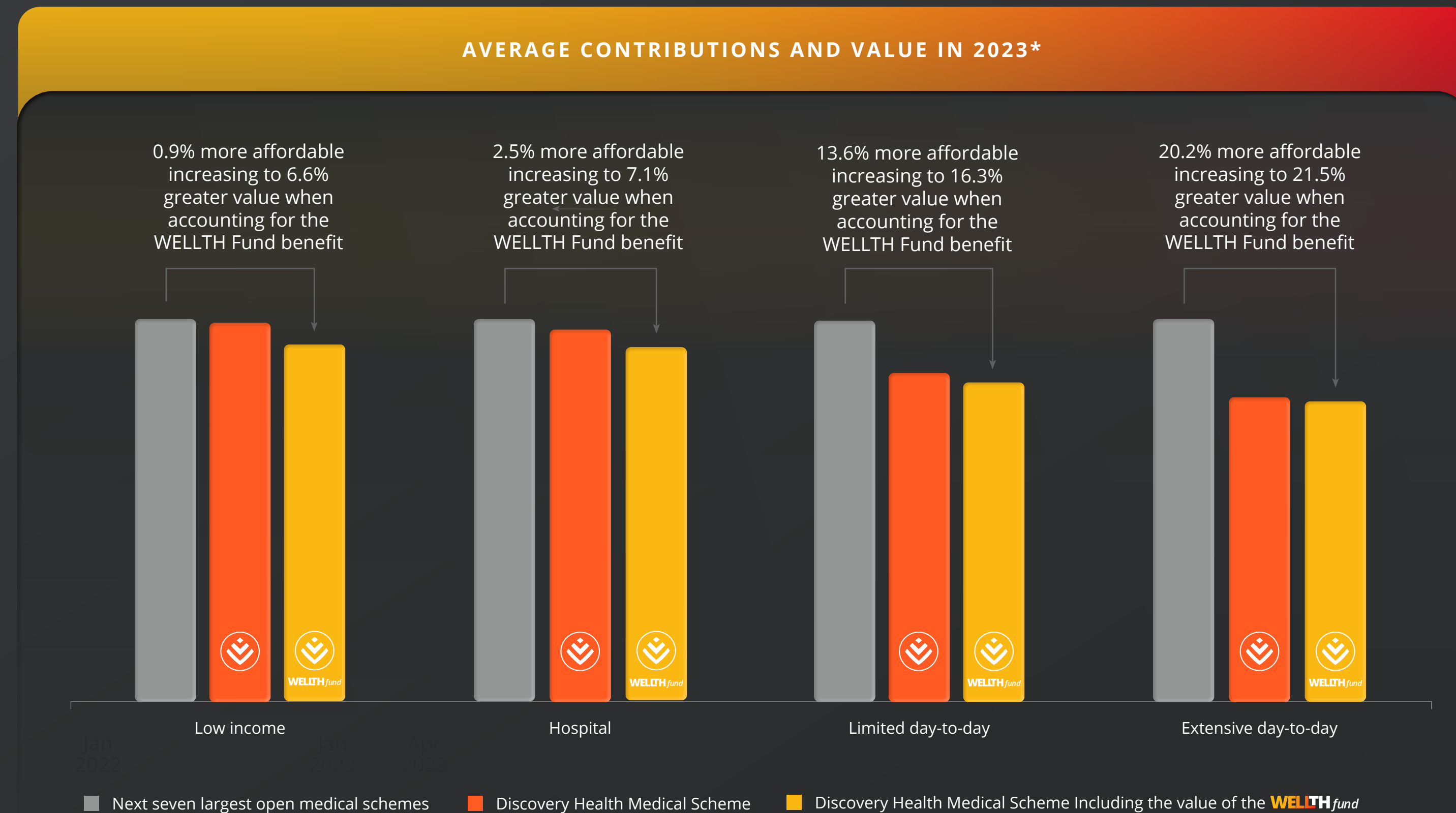
Historic contribution increases below the industry average and investment in high-value benefits continue to enhance Discovery Health Medical Scheme's value proposition compared to other open medical schemes.

In 2023, the contributions per unit of benefit for Discovery Health Medical Scheme are on average 12.7% lower than the next seven largest open medical schemes.

The value offered by Discovery Health Medical Scheme remains unmatched across the plan range. The average contribution for your clients in 2023 is more affordable compared to the next seven largest open medical schemes across every benefit category.

Discovery Health Medical Scheme's competitive position is further extended when including the benefits available to your clients through the WELLTH Fund.

By choosing Discovery Health Medical Scheme, your clients receive unmatched value for their contributions, with the flexibility to adjust benefit levels to meet changing health, lifestyle and financial circumstances.



\* Average contributions per benefit category compared to the next seven largest open medical schemes, on a principal member basis.



# Discovery Health Medical Scheme **in 2023**

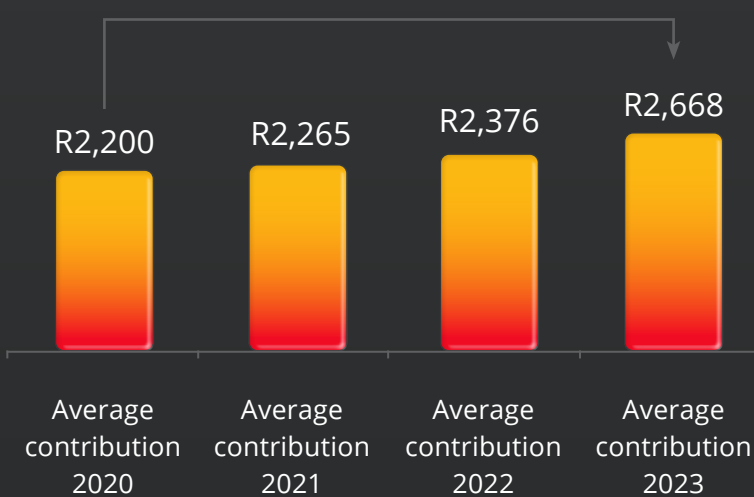
Your clients enjoy industry-leading value with substantially enhanced benefits on Discovery Health Medical Scheme in 2023.

## GREATER AFFORDABILITY

In 2023, your clients will continue to enjoy their enhanced 2023 benefits at 2022 rates for the first three months of the year.

By April 2023, Discovery Health Medical Scheme members would have collectively benefitted from R8.6bn in lower contributions paid through deferrals over the last three years. These deferrals have reduced the contribution increases to just CPI + 1.9% per annum over the last three years.

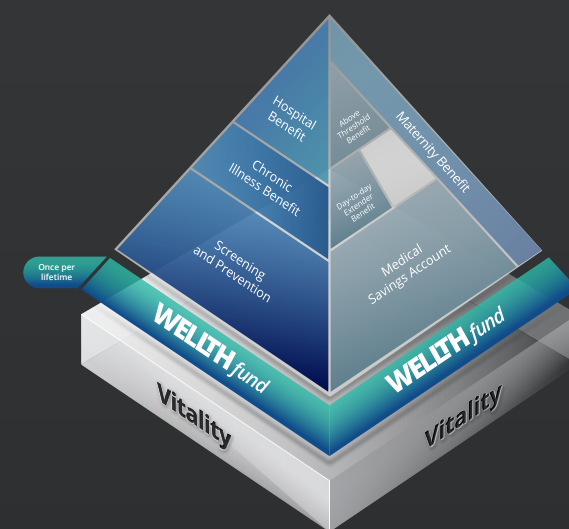
**CPI +1.9% p.a.**



## EMBEDDED WELLTH FUND

Discovery Health Medical Scheme has invested in the health of its members in 2023 through the WELLTH Fund.

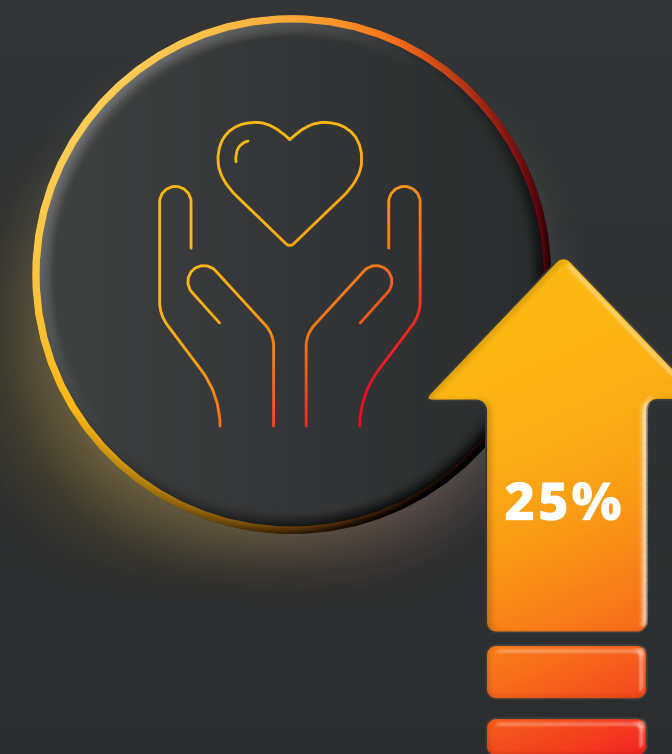
The WELLTH Fund enables every Scheme member to better understand their health status by providing risk funding of up to R10,000 per policy for a broad range of health screenings and preventive healthcare services.



**WELLTH** fund

## ENHANCED ONCOLOGY BENEFIT

Discovery Health Medical Scheme has increased the threshold of the Oncology Benefit on all plans (excluding KeyCare) by 25% in 2023 to address the increase in the cost of oncology over the past two years.



## NEW DISEASE PREVENTION PROGRAMME

Discovery Health Medical Scheme has introduced a Disease Prevention Programme to help members that are at high risk of diabetes or cardiovascular disease to reduce their risk of developing the disease. The programme supports these members with risk benefits for 12 months to improve their health.



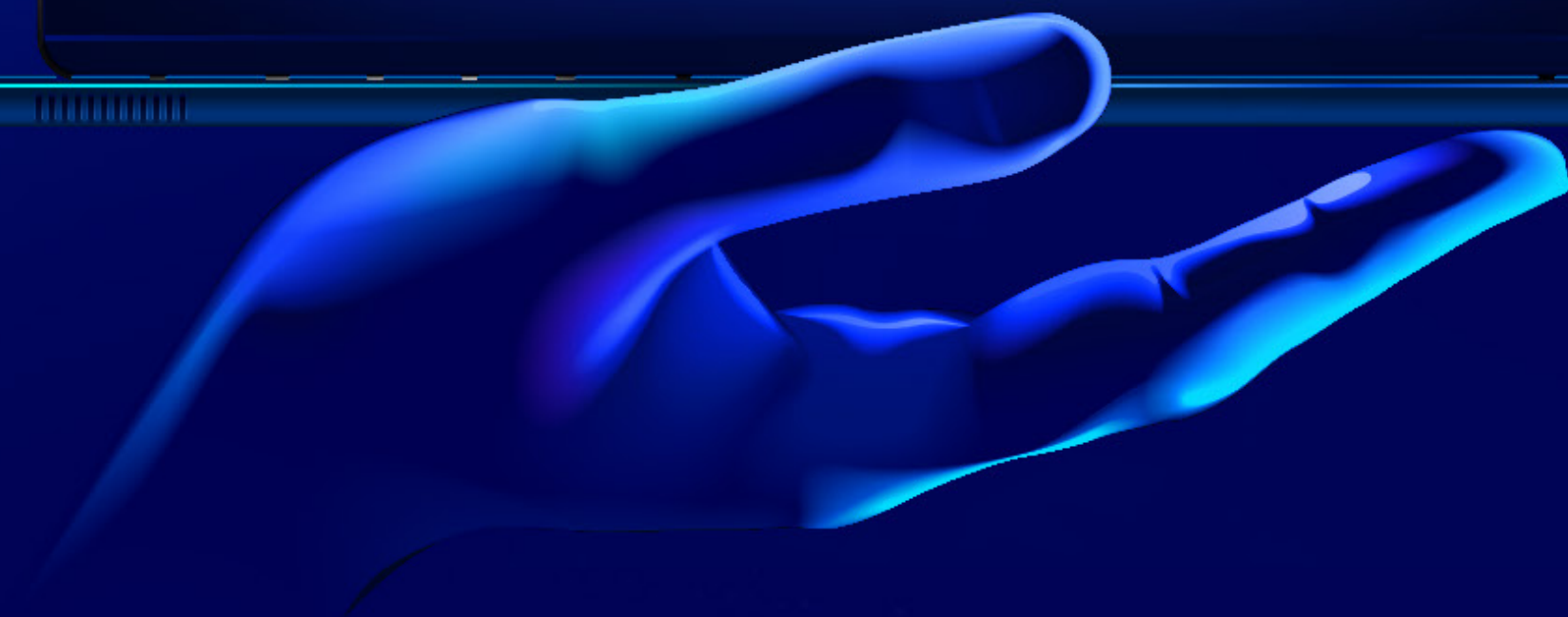


# Introducing



The Financial Adviser Zone has been transformed into a virtual sales platform called Adviser 360. This will provide an integrated and centralised sales platform across Discovery Health, Discovery Life, Discovery Insure, Discovery Invest, Discovery Bank and Vitality.

Adviser 360 will provide you with a holistic view of your client's current financial portfolio within the Discovery Universe, allowing you to quickly spot gaps in your client's financial planning. Together with the seamlessly integrated client relationship manager, Client 360, Discovery Health offers the most seamless and efficient way for you to quote, activate and service your clients.

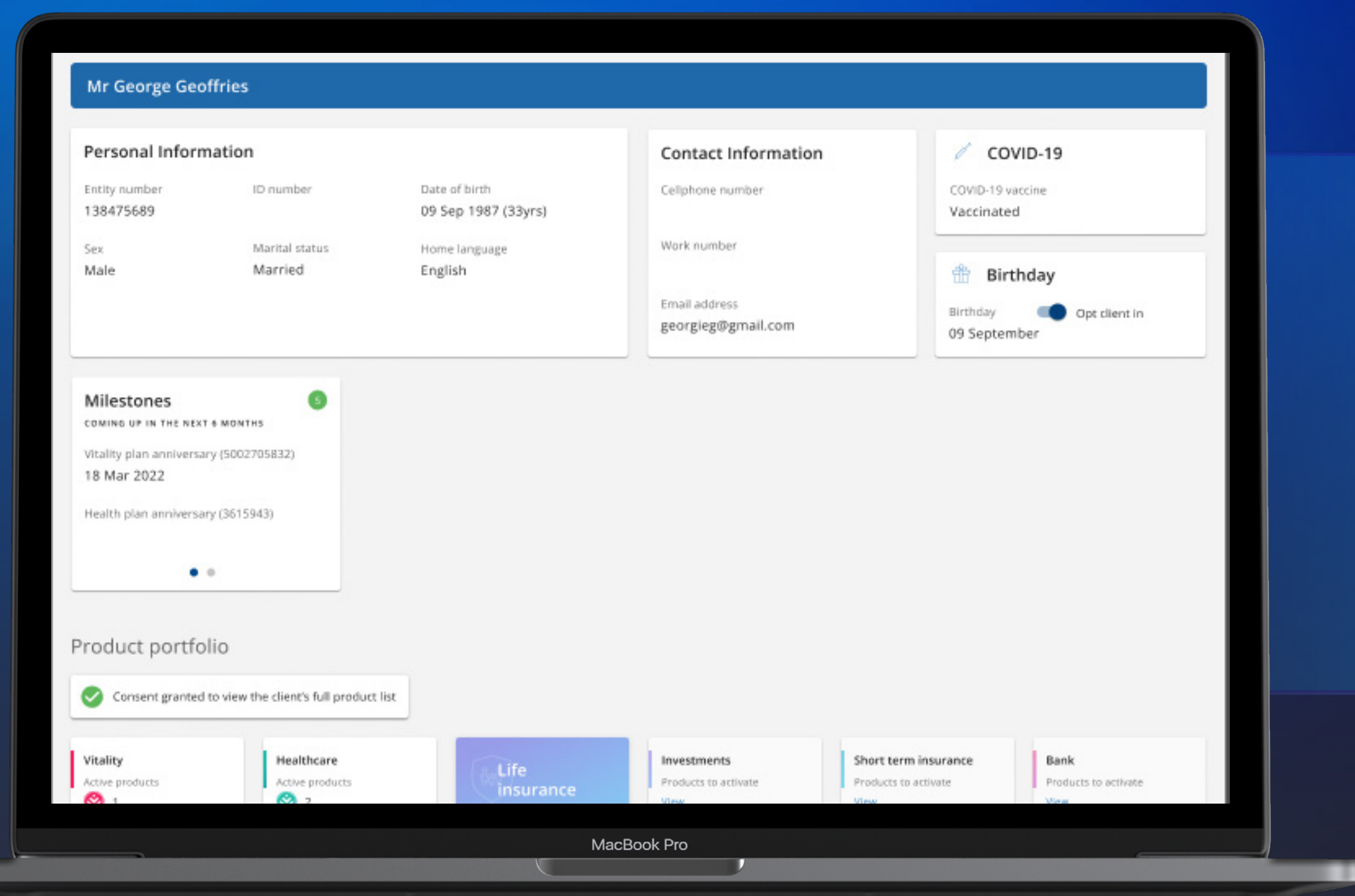






Introducing Client 360, a powerful tool that enables you to generate a complete client profile on Adviser 360. By leveraging the platform's company-wide data, you can obtain a comprehensive overview of each of your clients. This integrated view includes important information such as their Discovery portfolio, engagement in the Vitality program, cross-sell and upsell opportunities and their financial rewards. These insights will assist you to provide holistic financial advice to meet your clients' needs.

## Bringing you **Client 360**



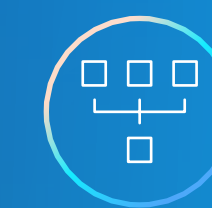
**INTEGRATED CLIENT  
PORTFOLIO VIEW**



**CLIENT AND  
ENTITY CREATION**



**SUPPORTING STREAMLINED  
SALES JOURNEYS**



**OPPORTUNITIES  
AND CAMPAIGNS**

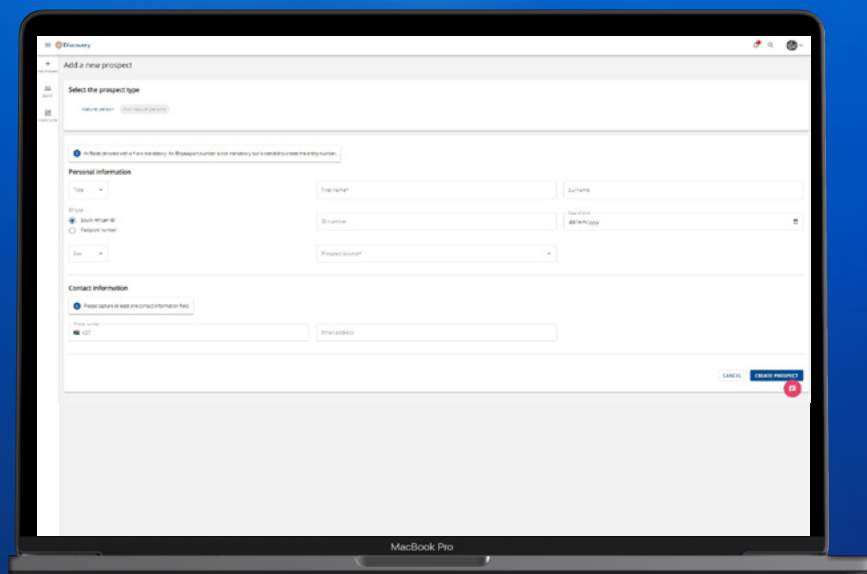




The Adviser 360 digital platform will be available for health advisers across all devices and platforms. Advisers can access this enhanced new business online journey in the same way you would access the Financial Adviser Zone.

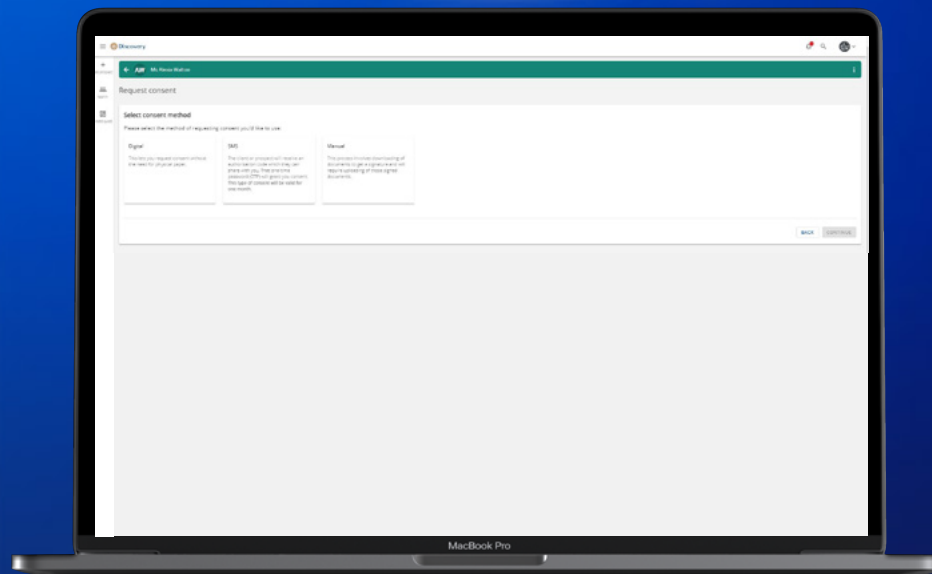
## How Adviser 360 works for **health advisers**:

### STEP 1: CREATE A PROSPECT



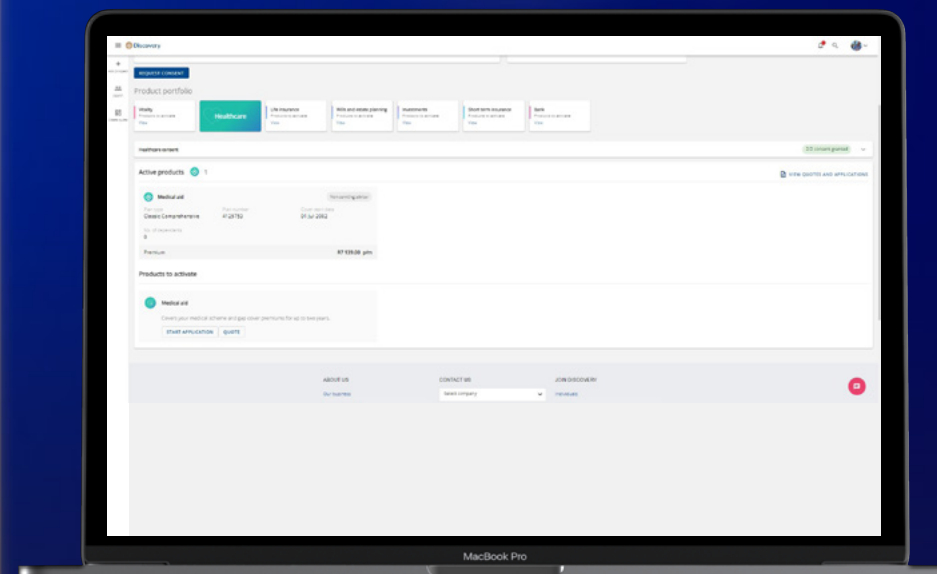
Generate a new client profile or search for an existing one on Adviser 360. The process is supported by upfront verification of client details with Home Affairs.

### STEP 2: GET CLIENT CONSENT



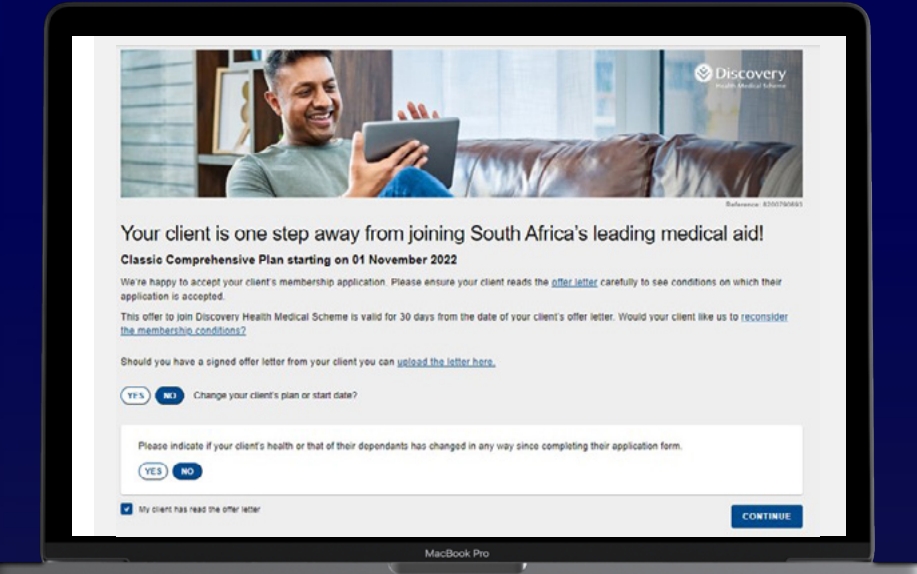
Obtain upfront consent to disclose and share client information which may be available from previous policies, enabling pre-population of data during the new business journey.

### STEP 3: COMPLETE QUOTE AND APPLICATION



Complete a quote and application through the integrated online new business journey. The journey has been enhanced with digital underwriting and a fully embedded compliance process which enables seamless monitoring and tracking of the application.





### STEP 4: OBTAIN DIGITAL ACCEPTANCE



Clients and advisers can then log on to their Discovery profile and accept documents with a single click, offering a faster, safer and more efficient option for clients to approve documents.





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Discovery Health Medical Scheme is regulated by the Council for Medical Schemes. For detailed information on all Discovery Health Medical Scheme plan options, please visit [www.discovery.co.za](http://www.discovery.co.za) for access to plan brochures as well as a full copy of the proposed 2023 Scheme Rules.

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